THE TICKER AND INVESTMENT DIGEST

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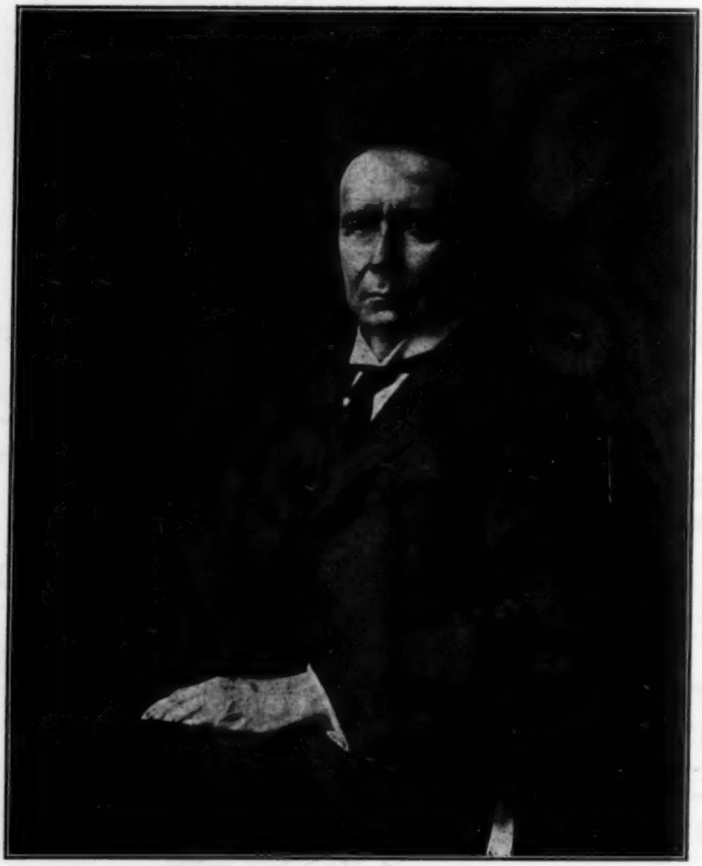


JUDGE R. S. LOVETT

President of the Union Pacific Railroad Company

THE
TICKER
AND
INVESTMENT DIGEST

Investment: The placing of capital in a more or less permanent way, mainly for the income to be derived therefrom. | Speculation: Operations wherein intelligent foresight is employed for the purpose of deriving a profit from price changes.

Vol. 8 OCTOBER, 1911 No. 6

Studies in Stock Speculation

By ROLLO TAPE

Author of "Studies in Tape Reading"

XXIV—Options or Privileges

FIRST let us define and explain Puts and Calls as issued and dealt in by New York brokers and others.

A "Put" is a document which gives its holder the right to *deliver* a certain amount of stock (or grain) at a specified price, within a limited time. The price stated in a Put is, according to the New York custom, always below the market price at the time the Put is issued. Following is the form usually adopted:

> NEW YORK, September 2, 1911.
> For value received, the bearer may deliver to me 100 shares of Union Pacific at 170, at any time within thirty days from date. All dividends for which the books close in the meantime go with the stock.
> Expires, October 2, 1911, at 1:45 p. m.
> JOHN DOE.

The value of a Put is based on the length of time it has to run and the proximity of the market price of the stock to the price at which the Put is issued. If Union Pacific is selling at 175 at the time the Put is written, the latter would be worth about $200. If the market price of Union Pacific were 172, the value would be from $400 to $500, depending upon the number of similar "papers" in the market and various other considerations.

For example, suppose Union Pacific is selling at 175 and that John Doe (who writes or issues the above Put) sells it to Bill Jones for $200. Doe believes Union Pacific will sell at a very much higher price within the thirty days, and reasons with himself thus: "If Jones Puts that stock to me, I will get it at a price 5 points below the present market price, and as he has paid me $200 for the Privilege, the net cost to me will be only 168."

Bill Jones, on the other hand, believes that the whole market is "going to smash," and that during these thirty days he can buy Union Pacific at a very low figure. His argument, therefore, is: "I will pay this man $200

for the Put, and when Union Pacific touches 165 I will buy 100 shares and deliver (or Put) it to him at 175, making a profit of $1,000, less the cost of the Put ($200), commission and tax. This will yield $773 net profit."

Another method of using this Put is: Presuming Jones has bought 100 Union Pacific at 175, and wishes to be insured against any material loss during the next thirty days; he will buy a Privilege such as above, paying $200 therefor. This will enable him to Put or deliver to John Doe 100 Union Pacific at 175.

No matter to what price Union Pacific declines during the thirty days, Jones can deliver 100 Union Pacific at 175 at any time within that period, thereby limiting his loss to the mere cost of the Put.

It is usual, however, to wait until the last day, so that no opportunities will be lost.

A Call.

A "Call" is a document giving the holder thereof the right to Call upon (buy of) the maker of the Privilege for a certain amount of stock, at a specified price (usually above the market), within a limited time. The usual form follows:

> New York, September 2, 1911.
> For value received the bearer may *call* upon me for 100 shares of Southern Pacific at $110 a share, at any time within thirty days from date. John Doe.
> Expires, October 2, 1911, at 1:45 p. m.

The belief that Southern Pacific will not sell much above 110 during the time mentioned, prompts Mr. Doe to issue and sell this Call. Doe has in his safe deposit box 100 shares of Southern Pacific bought at a lower price, during the panic, and is, therefore, perfectly willing to have it called at 110. The buyer of the Privilege pays $200 for it and on, say September 20, Southern Pacific has risen to 115. He then sells 100 shares short at that price.

He does not immediately Call the stock, however, as the Privilege has some days to run, and he believes the stock will again decline to a figure below the Call price before the Privilege expires. He reasons thus: I now have a gross profit of five points, but I will wait, and if the market declines, as I expect, I may be able to cover my short at 105.

Conditions favor him. He ignores the Call, and covers his short stock at 105, thus making a profit of ten points. Deducting the cost of the Call ($200), together with commission and tax ($27), he has a net profit of $773 on the transaction.

A Spread.

Another form of Privilege is called a "Spread." This combines the Privilege of Putting and Calling a stock. Such a document would read:

> New York, September 2, 1911.
> For value received, the bearer may deliver to me 100 shares of Union Pacific at 160, or call upon me for 100 Union Pacific at 170, at any time within sixty days from date. John Doe.
> Expires November 1, 1911.

A Straddle

Still another form of Privilege is the "Straddle." This gives the holder the right to put or call a number of shares of a certain stock at the *same* price. For instance, a "Straddle" on 100 Amalgamated Copper at 60 would include the Privilege of either calling 100 at 60, or putting 100 at 60 at any time within the period covered by the Privilege.

There are various methods of "trading against" Privileges. The most common is to buy a Put, say on 100 Steel, at 70, and when the stock declines to that price buy half the quantity, namely, 50 shares. Then if Steel advances to 72, sell out the 50 shares. If it recedes to 70 again, repeat the operation. If it continues to decline and goes to 67½, or any other price which the trader considers low for the time being, he purchases another 50 shares. Should the market then advance to above 70 he sells out either 50 or 100 shares as he pleases; as a rule he does not sell any of his stock below 70 for the reason that the Put assures him a buyer at that price at any time during the life of the Privilege. Frequently the market will permit several operations of this sort while one holds even a thirty-day paper.

The same practice may be followed with a Call. The holder of a Call on Reading at 150 may sell half the quantity short at, or anywhere above that price, purchase it below 150, resell and repeat according to circumstances.

In the case of a Spread on Union Pacific with the Put side 160 and the Call side 170, the stock may be selling in the market at 165 when the paper is written, and may thereafter advance to 175. The holder of such a Spread could then sell 100 shares of Union Pacific in the market at 175; if the stock should subsequently decline to 155, he could cover the 100 shares sold and go along another 100 at the same figure. He would have 20 points actual profit on the 100 shares covered, and 5 points paper profit on the 100 shares bought against the Privilege. Should Union Pacific rally to 165 again, he could sell out the 100 shares of long stock at a 10-point profit, making 30 points profit in all. Even though Union Pacific stood somewhere between 160 and 170 at the time the Privilege expired, and the Privilege be thereby valueless, the operator would have no complaint to make because the Privilege had, during its life, enabled him to operate with comparative safety, his only outlay being the actual cost of the paper.

Many people use Privileges as a method of operating without margin and with risk limited to the cost of the Privilege. If when Union Pacific stood at its recent high point (above 192) one had bought a Put at 185, he need have taken no action until the stock reached 166 (provided he were a good enough judge of the market to spot the temporary turning point), or in case his Privilege expired with the stock around that figure. Or if, having purchased against his Put at around 167, he considered the rally to 174⅝ a temporary affair, he might have sold out his long stock at above 174, taking 7 points or more profit, and leaving the way open for a repurchase against his Put at a lower figure. Such an operation should have more than covered the cost of the Put.

Considered in the light of insurance, there are other phases of such trading, of which are as follows:

Let us say you are long of Union Pacific at 155. The stock rises to 180 and you wish to protect your profits without using a stop order, thus benefiting by any further advance. You locate a Privilege broker and for $150 buy a Put on 100 Union Pacific at 176½. By this operation you "insure" your long trade at a cost of $150, so that the operation is certain to net you at least 20 points, this being the difference between 176½ less 1½ points ($150) and the purchase price of your stock. Whether you have the Privilege or not makes no difference; you can always sell your stock in the market at above the Put price so long as it remains at that level, but if the price should break below 176½ you would not sell it because you have a buyer for it, at 176½, in the person who issued the Put. Union Pacific might advance to 185 and stand there on the day the Put expired; in this case you would tear up the put, as it would be valueless. Another Put could then be purchased, or you could enter a stop order at 183 or thereabout. The Privilege, however, would have served its purpose just as does an insurance policy.

Your broker attends to all details in connection with the actual putting or calling of the stock. It is customary for those who hold Privileges to leave them in the custody of their brokers, whose cashiers usually keep a memorandum showing the day and hour when Privileges expire. On the morning of such day he hunts you up, or telephones you, in order to remind you of the expiration and to obtain your instructions regarding the matter. If you have a Call on Steel at 70 and the stock is selling in the market at 73½ he of course knows beforehand that you wish to call the stock. Upon receiving your instructions and noting the time at which the privilege expires, say 1:45 p. m., he keeps the Privilege before him about until 1:15 or 1:30 p. m., Action is postponed as long as possible for fear that some unexpected circumstance may produce a break in Steel to below 70; in such case he would not Call the stock because you could buy it in the market at a lower figure.

As the hour approaches and there

seems no possibility of such a decline, he draws a check for $7,000, has his messenger get it certified and just before 1:45 P. M. the messenger walks into the office of the broker who has issued or endorsed the Privilege, presents the check at the cashier's window and receives in exchange 100 shares of U. S. Steel common. This constitutes the physical action necessary to the calling of the stock, and explains the machinery of the operation, although the trader has nothing to do but instruct his broker. It is usual for the holder of the Privilege or his broker to take what action is necessary in order to consumate the transaction, the seller of the Privilege being a more or less negative quantity. Since the organization of the Stock Exchange Clearing House, deliveries of round lots of Steel, Union and other "Clearing House Stocks" (which means, as a rule, the active issues), are delivered through exchange of Clearing House tickets between brokers taking part in such transactions.

As stated in the specimen privileges mentioned at the beginning of this article, "All dividends for which the books close in the meantime go with the stock." This means that if you buy a Put on 100 Union Pacific at 170, and during the life of this Privilege the books close for a dividend of 2½ per cent. on this stock, the holder of the Put who exercises his option must deliver the stock at a net price of 167½. Reason: The purchaser of the Privilege is benefited by a decline in the market price of the stock (equal to approximately 2½ points) on the day Union Pacific is quoted ex-dividend.

LONDON PRIVILEGES.

In London and other European financial centers, dealing in and trading against options has been reduced to somewhat of a fine art. The London Privilege dealer bases his calculations upon the average width of swing in a stock over a long period of time. Of course if the position of the market, or expected developments in the stock on which he is issuing a Privilege be such as to indicate a very pronounced movement in either direction, he will alter his price accordingly.

English operators give greater consideration to the insurance value of a Privilege and less to the speculative features than we Americans.

The principal points which distinguish the London Privilege from that issued in New York are the following:

London dealers seldom issue a privilege for less than 200 shares. The price stated in the Privilege is the market price at the time the Privilege is written. Interest is added to the price at which Call is issued, and deducted from the price at which a Put is issued.

Following is a quotation sheet of Privilege which were for sale in the London market on August 30, 1911:

LONDON CALLS OR PUTS, AT MARKET PRICES + INTEREST.

	End of Oct.	End of Nov.	End of Dec.
Atchison	2½	3	3½
Baltimore	2½	3	3½
Canadian Pacific	4¾	5½	6
Chesapeake	2¾	3¼	3¾
Erie	1⅞	2¼	2½
M. K. T...............	1⅞	2¼	2½
N. Y. Central.........	2¾	3¼	3¾
Norfolk & Western..	2¾	3¼	3¾
Gt. Northern pfd......	3⅜	3⅞	4⅜
Northern Pacific	3⅜	3⅞	4⅜
Penn., per share......	1½	2	2½
Reading, per share....	2⅞	3⅜	3¾
Rock Island	1¾	2	2⅜
Southern Pacific......	2¾	3¼	3¾
Southern Railway	1¾	2	2⅜
St. Paul	3¼	3¾	4¼
Union Pacific	4⅞	5⅝	6¼
U. S. Steel, com......	2¾	3¼	3¼
Amal. Copper	2¾	3¼	3¾
Smelters	3¼	3¾	4¼

Suppose you decide to buy a Call on Atchison good until the end of November, which means until the last settlement day in that month, according to the custom of London Stock Exchange. You would instruct your New York broker to buy the Privilege for you, knowing in advance that the cost to you would be $600. If the market price of Atchison were 105 at the time, your broker would probably receive a cable message from his London correspondent stating that he had secured the Call at a price of 106. The difference between the market price and the Call price being the approximate interest on $10,500 for four months at say, 4

per cent. You would pay your broker the $600 and he would have his London correspondent hold the Privilege for you until the time came for acting upon it. Meantime you could trade against the Privilege either in New York or London after the manner previously described.

Interest is deducted from the price at which a Put is written, the basis of figuring being the same. The rate of interest of course fluctuates according to London money market conditions.

The holder of a Call is entitled not only to all dividends, but all rights which become due during the life of the Privilege; the holder of a Put must allow them. There is neither profit or loss in this for the holder of the Privilege, as the market price adjusts itself accordingly on ex-dividend day.

Whether you deal in New York or London privileges there are many ways of utilizing them to advantage. Among these which have not already been stated are: Exercising a Call and remaining long of the stock in case you wish to maintain a bullish position. In the same way, the possessor of a Put on Atchison at 105 may exercise the Put and stay short as long as he likes, whether the market price is 90 or par. Another plan for using a Call is to call the stock and have it shipped over from London to New York, assuming that the operator wishes to occupy an investment position, paying for the certificate in full.

Privileges when issued or endorsed by New York Stock Exchange houses or purchased through members of the London Stock Exchange, are generally accepted in lieu of margin by New York or London brokerage houses, but if the writer of a privilege is considered weak financially, this will not apply.

Large deals in Puts or Calls are frequently conducted by stock market operators who anticipate a very pronounced movement in a certain stock within a given time. For example, Mr. Harriman, who knew beforehand that Union Pacific was to be placed on a 10% dividend basis, is said to have purchased a very large amount of Calls in the London market prior to that time.

The principal advantage in the use of privileges is the limiting of loss, although profits may result in much larger figures than anticipated. It is safest to deal only in such privileges as are accepted by New York Stock Exchange houses in place of margin.

Where Are We?

Stock Market Conditions of 1911 Compared With Those of 1892 to 1896.

By G. C. SELDEN.

IT is becoming quite the thing for stock market commentators to hark back to the period of liquidation, from 1892 to 1896, in order to find a partial parallel to present conditions.

This is equally true whether these commentators hold the view that the panic of 1907 corresponded roughly to that of 1890 (only more severe) and that the real commercial panic corresponding to 1893 is yet to come; or believe that 1907 was in every respect a "panic of the first class," corresponding to 1893, and that we are now going through that aftermath of dullness and gradual liquidation which must precede renewed activity.

Those holding to the first of these two antagonistic theories compare 1911, in a general way, with 1891 and 1892. Those who adopt the second view compare 1911 with 1894 and 1895. Let us erase from our minds all preconceived opinions and examine financial conditions during the years 1892 to 1896 and compare them with the present situation.

WHAT MAKES THE MARKET?

During last winter and spring I wrote for this magazine a series of seven articles entitled "What Makes the Market?" In the preparation of these articles I studied and charted for a period of ten or fifteen years all the so-called "fundamental" statistics which are becoming so popular with investors.

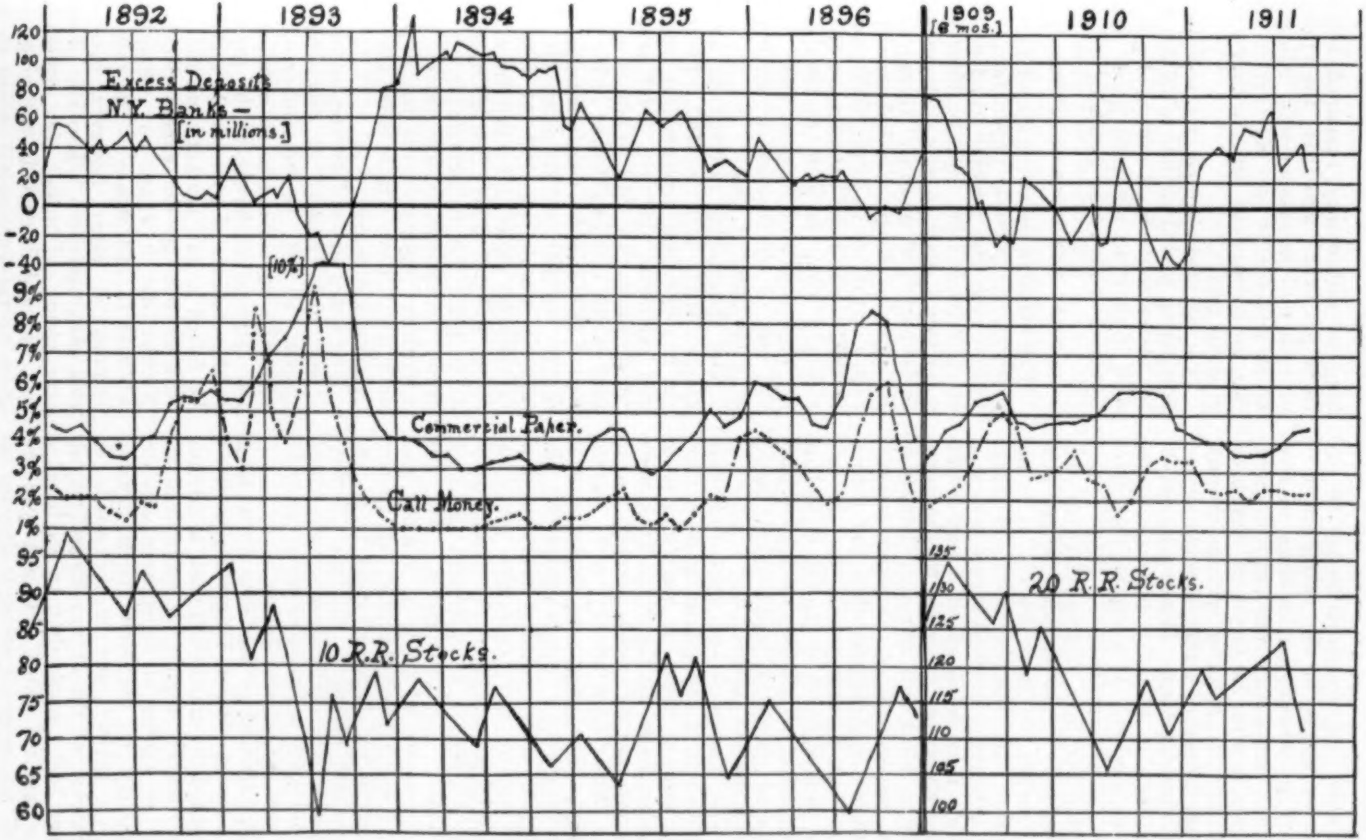
Most of these studies were thrown into the waste basket because, however interesting and suggestive the statistics might be to the business man, they shed no light on the *future* of the stock market. Such figures as combined railroad earnings, iron production, merchandise imports and exports, etc., and even to some extent bank clearings, move in lines *following* the stock market or contemporaneous with it. They do not, so far as I can discover, shed important light on the future of the market, except in a very indirect and inconclusive way.

This is not said in depreciation of the value of such statistics. They are most important in their bearing on the business situation and should be watched by every business man who aspires to be well informed. But they do not predict the stock market.

This should occasion no surprise. It is a generally accepted fact that the market discounts future events, that the prices of stocks anticipate all great changes in the activity of business, and afford a better index to coming developments than can be obtained in any other way. Yet the same student who admits all these things is very likely to be heard referring to declining railway earnings, for example, as a bearish influence on the stock market. *Future* railway earnings will, of course, seriously affect the market, and if you have any way of finding out what they will be, good for you—go ahead; but past railway earnings are like past prices—interesting, but no longer affording opportunities for profit in the market.

BANKING CONDITIONS AS AN INDEX.

I found, however, one great factor which precedes stock prices, and that is the accumulation or dissipation of idle capital. It is the machinery of the stock market, which, directly or indirectly, supplies great business enterprises with the money to buy locomotives or structural steel or lumber


1892
1893
1894
1895
1896
1909 [6 mos.]
1910
1911
Excess Deposits N.Y. Banks — [in millions.]
[10%]
Commercial Paper.
Call Money.
10 R.R. Stocks.
20 R.R. Stocks.
120
100
80
60
40
20
0
-20
-40
9%
8%
7%
6%
5%
4%
3%
2%
1%
95
90
85
80
75
70
65
60
135
130
125
120
115
110
105
100

or what not, and with money to pay out as wages in the enlargement of their plants or the building of new ones. The money thus put into circulation is the life-blood of the body politic. It gradually spreads through every artery of traffic, stimulating activity and growth. Hence why should we seek in industry the key to the stock market? It is capital that gives the initial impulse.

But the first resting place of this money as it accumulates, before ever it reaches the stock market, is in the banks. And when such capital ceases to accumulate or even begins to shrivel away, it is the banks that pay it out. Hence we may expect in banking conditions some anticipatory reflection of the movements of the stock market; and we may expect that the money rate will indicate by its rise or fall, the accumulation of capital, to find its way later into stocks, or the contraction of resources which may compel stock market liquidation.

The promptest and most up-to-date indication of this piling up or withering away of capital in the banks is, of course, found in the New York bank statement, made public weekly, and in the New York money rate, quoted daily. The excess of deposits over loans gives a rough index to the amount of free capital available, and the money rate, especially for commercial paper, acts as the barometer of the supply of and demand for such capital in general business. The rate for commercial paper is a more reliable index than that for call money, because the latter is itself to a considerable extent a function of stock market activity and may sometimes show wild fluctuations as a result of purely speculative causes.

In discussing the New York bank statement (March TICKER, page 206) I reached the conclusion that "a genuine bull market cannot be maintained after an excess of loans over deposits develops in the New York clearing house banks;" and in the article on "Stocks and the Money Rates" (April, page 249) I found that, on the basis of the last ten years, "in each case the bull movement continued vigorous so long as call money remained below three per cent." and that "the climax of each bull movement was indicated by an advance of two per cent. in the rate for commercial paper within a six months' period."

If it be true that we are now in a liquidating period similar to 1892-6, do the above conclusions still hold good? And if they do not hold good, what conclusions are to be reached?

WHAT THE DIAGRAM SHOWS.

The diagram herewith shows excess deposits, commercial paper rate, call money rate, and general trend of the stock market from 1892 to 1896, and from July 1, 1909, to date. The money rates used are monthly averages as compiled by Roger W. Babson. The high point of stocks in the first quarter of 1892 marked the culmination of the recovery from the panic of 1890; and the high prices of August, 1909, were the end of an advance which began after the panic of 1907.

The indications referred to above applied fairly well in 1892. In 1891 the line of excess deposits had crossed and recrossed the zero level several times, similar to 1910. Only a moderate excess was established in the first half of 1892 and this nearly disappeared in the last half of the year. In the last six months of 1892 the rate for commercial paper advanced from $3\frac{1}{2}$ to $5\frac{1}{2}$ and call money jumped over the 3 per cent. line in September. After these indications, stock prices sold within five points of the top in January, 1893, from which point the real bear market began.

The sharp upward movement of the spring and summer of 1895—based largely, it will be remembered, on Morgan's agreement to so manipulate the rates of exchange as to prevent further exports of gold—could scarcely be called a bull market, and did not entirely use up the excess deposits. Neither did it cause any important advance in call money. The rate for commercial paper, however, even in this case, rose from $2\frac{7}{8}$ to $5\frac{1}{8}$. There was plenty of money for temporary use, but a deficiency in the supply of more permanent capital owing to the

free silver agitation, which made capitalists cautious.

Evidently the same principles apply during this earlier period as have been worked out for the years 1900 to 1911; but the investor who depended solely on these indications would have made little or no money from the panic of 1893 to the secondary panic of 1896, because there were no fluctuations in the market wide enough to call into play the full resources of the banks. He would have been practically out of the market for three years. It is questionable, though, whether anybody made much money during those three years.

In comparing 1911 with these previous years, we find that the line of excess deposits for 1891 and 1892 corresponds rather closely with 1910 and 1911, and is entirely different from 1894 and 1895 or any other period during the six years. Money rates, however, are just now acting more like 1895—although their behavior in 1910 was not in the least like 1894.

I confess I cannot find much similarity between present conditions and those of the abortive little bull turn of 1895, which lasted only about three months from lowest to highest prices. For one thing, general business is now relatively far more active than in 1895. Bank clearings outside New York City reached a high mark of $25,000,000,000 in 1892, fell to $21,000,000,000 in 1894, and were $23,000,000,000 in 1895. In 1910 they exceeded all previous records at $66,650,000,000 and for the first half of 1911 they have been maintained on about the same scale. In 1911 the "depression" is still pretty much confined to Wall Street and connected interests, though showing a tendency to spread. In 1895 the whole country was in the dumps.

CASTING THE HOROSCOPE.

If we assume that the advance from July, 1910, to July, 1911, corresponded in some broad general way with that which began in the fall of 1890 and ended in January, 1892, the following sequence of events might naturally be expected:

A gradual disappearance of the excess deposits of New York banks as money goes out to move the crops this fall, followed by a partial but temporary restoration early in 1912.

A further stiffening in the rate for commercial paper, and somewhat higher rates for call money, but no stringency.

A considerable recovery from the recent decline in stocks, but not reaching the high point of last July.

If this idea is correct, it will be noticed that we are about six months ahead of conditions as they developed in 1892-3. The stock market recovery has, we have assumed, culminated in July, instead of carrying over to January, as in 1891-2. This would bring a panic, if we follow out the comparison, somewhere late in 1912 or in 1913 —if, if.

In fact there are so many "ifs" that I prefer to leave you to do your own guessing. Let us hope that we have become too intelligent to have panics. Certainly the superficial appearances at this time do not indicate that business is greatly over extended.

It is interesting, however, to notice that Mr. Frank Crowell, who forms his opinions chiefly from observation as he travels about the country and mingles with business men, arrives, by this entirely different method, at the same conclusion, as explained in his article last month.

Evidently Had Been There.

"Now that I have accumulated $50,000, I intend to go into business for myself."

"Foolish man! The time to go into business is before you have any money of your own to lose."—Buffalo Express.

Growth of Bethlehem Steel

A Company Whose Position Is in Many Respects Unique.

WHAT are the companies whose earnings will suffer least in case of a serious shrinkage in the activity of general trade? This is a question that many careful investors are now asking themselves.

This does not by any means assume that such a shrinkage is inevitable. Many hope strongly that the present condition of dullness may soon work out into renewed activity, rather than further decline; but it must also be said that many, with the customary caution of the capitalist, wish to protect themselves so far as possible from the possibilities of depression.

Falling off in railway net earnings, reductions of rates by the Interstate Commerce Commission, and declarations by prominent officials to the effect that new construction will be practically discontinued and orders for new equipment held down to the lowest possible limit, accompanied by reports from various directions of disappointing business prospects owing to crop failures—these and other similar factors have combined to raise doubts whether earnings and dividends can be held at the present level.

Among the companies which may reasonably be expected to maintain earnings at a good average in dull times, Bethlehem Steel is deserving of special notice, for the reason that the greater part of its business consists in rolling heavy plate for battleships and for other purposes not directly dependent on the business activity of the moment.

The world's expenditure for armored navies shows no prospect of decreasing for years to come. Peace treaties and arbitration tribunals are all very well, but every great nation will nevertheless feel that the best safeguard of peace is a powerful navy ready for war.

The business of the Bethlehem Steel Corporation in this department is by no means confined to that furnished by the United States Government. The president of the company, Mr. Schwab, recently obtained a large order from the Italian government. Earlier in the year a great amount of work was done for Argentina. In fact, the Bethlehem plate goes practically all over the world, and this wide distribution of business has kept the mills running at 85 to 90 per cent. of capacity at a time when most steel companies have been glad to get orders for 75 per cent. of their capacity.

A PECULIAR HISTORY.

The present Bethlehem Steel Corporation dates from 1904, and now has four plants—at South Bethlehem, Pa.; San Francisco, Cal.; Wilmington, Del., and Elizabethport, N. J. To understand the present condition of the company it is necessary briefly to review its history.

The old Bethlehem Steel Company, now a subsidiary of the Bethlehem Steel Corporation, was incorporated in 1899, and was doing a successful and profitable business before the mammoth United States Steel Corporation was organized in 1901. At first, although its earnings were good, the scale of operations was relatively small. Now, however, the plant of this one subsidiary alone covers 500 acres and includes blast furnaces, open hearth furnaces, rolling mills, iron and steel casting departments, forges, machine shops, etc.

The personality of Charles M. Schwab is an important element in the present Bethlehem Steel Corporation. It will be remembered that one of his greatest achievements for the Carnegie Steel Company in earlier years consisted in rolling armor plate for the government without the importation of expensive machinery, and with the aid of only such equipment as the company already had in use or could readily obtain. It was a notable performance and attracted the attention of practical steel men every-

where. Of course it meant big profits for the Carnegie Steel Company, and as a result Andrew Carnegie was ready to back his young assistant to the limit. Hence the famous $1,000,000-a-year salary a little later when the United States Steel Corporation was formed.

After Schwab withdrew from United States Steel he turned his attention to the Bethlehem Company, purchased a controlling interest and began a readjustment of the company's affairs. His purpose was to develop the manufacture of armor plate and special types of structural steel on a big scale.

Then came the formation of the ill-starred United States Ship Building Company, a consolidation of iron works and ship building plants in various parts of the country. The most important were the Union Iron Works, of San Francisco, the Harlan & Hollingsworth Corporation at Wilmington, and the Nixon ship building properties at Elizabethport, N. J. An arrangement was made by which the interests of Bethlehem Steel and United States Ship Building were united, but fortunately Mr. Schwab retained absolute control of the Bethlehem plants, in addition to being in a very strong position in connection with the other properties also.

After the short career of the abnormally over-capitalized Ship Building Company came to a close, Schwab worked out a plan of reorganization which included control of Bethlehem Steel and the best of the other plants without the weaknesses which had caused the downfall of the Ship Building Company.

The outcome was the present Bethlehem Steel Corporation, with $15,000,000 non-cumulative 7 per cent. preferred stock and $15,000,000 common. Bond issues now stand at about $20,000,000 long-term bonds and $7,000,000 short-term notes. The $45,000,000 common and preferred stock of the United States Ship Building Company became worthless in the reorganization. Holders of $15,000,000 first-mortgage Ship Building bonds received only dollar for dollar in Bethlehem Steel stock, 40 per cent. preferred and 60 per cent. common; while holders of $10,000,000 collateral mortgage bonds got $9,000 new preferred and $6,000 common for each $10,000 of bonds. This was a rigorous scaling down, and it has of course worked greatly to the advantage of Bethlehem Steel.

The newly organized company still owned most of the separate ship building plants, but Mr. Schwab's policy has been gradually to get rid of the poorer of these plants and to retain only those having high earning capacity. Nearly all the business of the company is now done at three plants—Bethlehem, San Francisco and Wilmington.

SOURCES OF SUPPLY.

Two very important subsidiaries of Bethlehem Steel are the Juragua Iron Company and the Bethlehem Iron Mines Company. The former owns 5,450 acres of land near Santiago, Cuba, with railroad, loading pier, mining village, company stores, etc. These mines have been in continuous operation for 25 years and have shipped over 5,000,000 tons of high-grade Bessemer ore. The present output is about 500,000 tons per year, and it will soon be increased. The capital stock of this sub-company is only $600,000, but the management of the Bethlehem company estimates the value of the mining properties at over $10,000,000.

The possibilities of the Juragua Company in the production of high-grade ore are probably much greater than was supposed when this property was acquired. Extensive new deposits adjoining the property have recently been explored and purchased or leased.

In 1908 another concern, the Bethlehem Iron Mines Company, was incorporated. It owns a controlling interest in the $250,000 stock of the Cheever Iron Ore Company, at Port Henry, N. Y. Its main holdings, however, are enormous deposits of ore on the North coast of Cuba. This ore is not as high grade as the Juragua ore on the South coast, but it is usable by modern methods of handling and preparation, and will ultimately become of great value to the Bethlehem Corporation.

Incidentally, the Bethlehem Steel Company owns a newly-patented design of beams, rolled by a process for which the company owns the exclusive American rights, beams of this special design being

10 to 15 per cent. lighter than standard beams of equal strength. A new rail mill was put in operation in 1907, and a new structure mill in 1908.

Continued additions to the plant of the corporation have been made. Assets are estimated to have increased about $17,000,000 since 1906, and are now about twice the par value of the entire funded debt. In 1909 an issue of $7,500,000 6 per cent. five-year notes was authorized. Of this amount $2,500,000 was to retire previous notes, and the remaining $5,000,000 was for additions to the plant, which it was estimated would nearly double its working capacity. Actual additions to the plant during 1910 were $5,359,000.

The results of this extension are plainly shown in the 1910 earnings, as given below. For six years the per cent. earned on the preferred stock has been as follows:

1905...........	16.0
1906...........	5.1
1907...........	10.8
1908...........	2.4
1909...........	5.3
1910...........	13.4

As 1910 was not an exceptionally prosperous year, these earnings were gratifying.

Moreover this good showing was not made by failure to charge off renewals and depreciations, as $670,000 was allowed for this item against $500,000 for the year 1909. Excess of current assets over current liabilities also increased, and working capital was about $1,500,000 more in 1910 than in 1909. Uncompleted orders showed the following increase:

December	31,	1910....	$17,370,000
"	"	1909....	14,073,000
"	"	1908....	7,592,000

In view of the earnings of about 16 per cent. in 1905, before the most important of recent improvements were inaugurated, it seems clear that the preferred stock is in line for a dividend as soon as business becomes normally prosperous again, and that the price will be likely to be well maintained even during dull business conditions. President Schwab's statements in regard to dividends are marked by extreme conservatism, but it is noticeable that he owns about 56,000 shares of the preferred stock, or 38 per cent. This looks like a pretty good testimonial as to his personal opinion of the company's prospects. He owns but little of the common.

In short, Bethlehem Steel looks like a stock that may be expected to do relatively well even under depressed conditions, and a good deal more than well in times of prosperity. At this writing the preferred is selling around 60, and it is worth watching.

Is the Character of the Market Changing?

By RICHARD D. WYCKOFF.

OLD traders say that the whole scheme of the market is different from that of former years.

In the first place, they claim, all the great leaders except Morgan are dead—Rogers, Harriman and Gates! How can such a great trio of master manipulators be reproduced?

And without its aggressive factors who swing hundreds of thousands of shares and whose following contributes as much again, and whose influence is widespread, what is to prevent the market from narrowing its daily, monthly and yearly range?

Every bull market produces its great leader—one who influences the market either through his operations or his utterances. Morgan, the one colossal figure in finance, is never spectacular, and it is a spectacle in Wall street which draws the public in hordes.

There are plenty of 50,000 and 100,-

000-share traders—Meyer, Blumenthal, Field, Baruch, Livermore and others. Out of their ranks will doubtless come the great leader of the future, but until he appears the seats in the king row are empty.

Then take that change in the trading rules which the Governing Committee put through awhile back; there is no more bidding up prices by means of 10,000-share lots wanted (all or none), or taken from someone on the floor who had prior instructions to sell. In the old days you could pick up the detailed summary of transactions and dope out the trend of the market with accuracy, or you could follow these big lots on the tape and scalp the market hairless.

But: "Quoth the raven, 'Nevermore'."

The public is getting wise. Outside traders are beginning to learn three things which are vital to their success:

They buy on reactions.

They sell on rallies.

They use stop orders.

The last-named factor is especially important in its effect upon their bank rolls; it keeps them in the game, makes them more careful after a losing trade and enables them to protect profits once secured.

Doubtless executions of stop orders produce many sharp advances and declines which might not otherwise occur. This influence also tends to keep prices within a narrower range most of the time—large operators do not continue to pound a stock when they find that no more holders are being shaken out.

Now that all the bucket shops have been closed up, a vast number of odd-lot traders are turning their orders into New York Stock Exchange houses or their branch offices and correspondents in other cities connected by private wires. Odd lots are being advertised in up-to-date fashion by a number of responsible houses. Methods of dealing in small lots on a scale or on the installment plan have attracted a numerous following of small traders and investors whose aggregate transactions now form a large and increasing percentage of the daily total.

These odd lots, with few exceptions, do not appear on the tape, but the hundred-share lots which the dealers buy or sell to even up are recorded and often represent the balance of power at a turning point in the market.

Since the fractional lot business has been so thoroughly advertised and facilitated, many transactions which formerly took place on the floor of the Consolidated Exchange are now handled by New York Stock Exchange houses. Prior to that time the impression had somehow been fostered that New York Stock Exchange houses would not handle odd lots on margin.

Then these capital issues are running up into the hundreds of millions and represent an aggregate of shares so large that it is beyond the power of any single interest to make such the impression of former days. $300,000,000 or $400,000,000 of capital stock means three or four million shares, and in spite of the fact that a great mass of our stocks are held for permanent investment, there is still a mountain to be moved, especially considering the number of different corporations whose stocks are actively traded in.

The so-called Money Trust is an influence which, though harped against by politicians, is pretty certain to prevent such catastrophies as took place in 1907. The weeding out of lightweight and unscrupulous financiers may not suit those with political ambitions, but it will render the stock market less subject to such violent spasms. The pyramiding of bank loans and the diversion of a bank's resources toward unhealthy promotions should, under present auspices, be a thing of the past.

The provision for issuing a large amount of temporary circulation by the Government will doubtless shut off any tendencies of the banks toward the exorbitant rates frequently exacted under the old order of things.

Altogether, developments of recent years have brought the top of the market closer to the bottom. Records of "past performances" of the market, when viewed from a 1915 standpoint, will doubtless be confined within a far smaller radius than "Union Pacific. low 1907, 100; high 1909, 219."

Averaging

The Possibilities and Limitations of This Method of Trading.

ONE of the discoveries made by both investors and traders early in their experience in the market is the principle of "averaging," as it is called. To the trader it occurs in this wise:

"Now, here are these stocks, always fluctuating and zig-zaging up and down. They cover the same ground a dozen times over. Of course there is a way to take advantage of these continual vibrations.

"If I wait until Steel common breaks say, three points and then buy 100 shares every point down, the price only has to rally half the decline to enable me to get out with a profit. Even if it went down 10 points, I would accumulate only 700 shares, with an average loss of 3½ points—about $2,500 in all; while if the price went back to the previous high point I would make over $4,000.

"I could work this on the long side when conditions were bullish, and on the short side when they were bearish. That is what the big men are always doing—buying on a scale down and selling on a scale up. In that way they simply milk the market all the time. What is to prevent me from doing the same thing in a smaller way? Nothing. I'll do it."

To the investor this pipe-dream visions itself in a little different fashion. He reasons.

"If Union Pacific is a purchase at 175, which is practically on a basis of 6 per cent. interest on your money, it is certainly a better purchase at 170, and a still better purchase at 165 or 160—providing conditions have suffered no permanent change. Now we all know that even the best dividend-paying stocks are frequently depressed below their real value by bear raids or by senseless panics, or by the whim of speculators, who follow each other like sheep without stopping to exercise their common sense.

"Why couldn't I buy 100 every five points down, paying for it in full, and then sell each 100 as soon as it shows $5 a share profit? I couldn't be forced out, for I would own my stock in full. As long as I held the stock I would be getting the dividends, at the rate of 6 per cent. or more on my investment. Whenever I sold any stock I would get, in addition to the dividends I had already received, a profit of $5 a share. What's wrong with that? Nothing. Brown, buy 500 Union Pacific at 175."

I have presented these arguments in their most plausible and reasonable form, but the principle of averaging is often carried to great extremes. I remember a booklet issued by a bucket shop some years ago which explained the principle of averaging, "used in some form by almost all successful speculators," in substantially the following way:

Simply double your line every point down. For example, you think wheat is a purchase. It has already declined, let us say, 3 cents a bushel. You buy 1,000 bushels at 90, 2,000 at 89, 4,000 at 88. This is a 5-cent break. If the price should continue downward without one cent rally (which is very unusual, so the booklet said), you would buy 8,000 at 87 and 16,000 at 86—a 7-cent break without a single rally of 1 cent, yet you have accumulated only 32,000 bushels and an advance to 87⅛ would get you out without loss. Even if the market is going down it will have these 1-cent rallies frequently; while if you are right and wheat goes up, you will get a larger profit through having accumulated a fair line at low prices.

The principle of averaging is a great favorite with market letter writers. "Buy a few stocks around these prices

and buy a few more if the decline should extend further," dictates the broker's young man glibly. Of course you are supposed to have money enough to carry said stocks to wherever the decline may go. If you haven't, that is no affair of the market letter writer. People shouldn't try to speculate without money. More margin, please.

Some of those, also, who issue special market advices of various kinds frequently recommend averaging. It is the easiest and safest thing to recommend because it is indefinite and does not tie the market letter man down to close figures; and every one sees at a glance that the principle is right, while very few take the trouble to study the whole question out and see where this innocent-looking and plausible recommendation may land them.

THEORETICALLY CORRECT, BUT DANGEROUS.

Now it seems to me that this matter of averaging deserves a more thorough and painstaking analysis than it has yet received in any sort of stock exchange literature. It is evident almost at a glance that the idea is fundamentally sound, *provided* the investor has plenty of capital.

Of course the bucket shop circular above mentioned is merely a slight variation on the old idea of beating a game of chance by doubling up after some definite plan or system. I wouldn't insult the intelligence of THE TICKER's readers by stopping to analyze such a scheme. (Nevertheless, a well-known college professor suggested, a year or two ago, preparing an article for us showing the impossibility of beating a game of chance by any sort of system—a curious idea he seemed to have of THE TICKER's field.)

But the other two plans explained above are appealing. Undoubtedly a good deal of money is lost every year by people who try to follow such plans and give it up, and some money is made by capitalists who follow similar methods successfully.

It is most important that no one should start on any kind of a scheme of averaging until he thoroughly understands the difficulties he may meet. No half-baked plans or mere general ideas will suffice.

The first point to be noticed is that in buying on a 5-point scale, for example, you do not get the advantage of every 5-point fluctuation. On the contrary, the price of your stock might advance 9¾ points without your being able to make either a purchase or a sale.

In the example above given, if you are buying Union Pacific at 175, 170, 165, 160, etc., and taking profits at 180, 175, 170, 165, etc., you cannot, after buying at say 170, buy again until the price reaches 165, or sell until it reaches 175. The price may fluctuate many times between 165⅛ and 174⅞ while you can do nothing.

Yet people commonly speak of such a plan as "catching every 5-point fluctuation." It is far from doing that. It would be nearer true to say that it catches every 10-point fluctuation. This fact greatly lessens the possibility of profit in such a scheme.

CATCHING SMALL FLUCTUATIONS.

This point becomes even more serious when smaller fluctuations are considered, because commissions and the "invisible one-eighth" then become an important consideration. Suppose you are going to buy every one point down and take profits of one point gross on each trade; that is, you buy Steel at 70, 69, 68, etc., and sell these lots separately at 71, 70, 69, etc.

You will not always be able to buy when the price just touches your figure. Perhaps you can do so about half the time. We will assume, for purposes of illustration, that you always lose the "invisible one-eighth" when you buy, and that you do not lose it when you sell.

After buying at 69, then, you cannot buy again until the stock is offered at 68, and you cannot sell until it reaches 70. Within this range the price may swing again and again without any profit to you.

Moreover, when you get a one-point profit, commissions and tax must come out, so that you have left less than ¾ of a point. Your broker is get-

ting 25 per cent. of your profits and the State is taking a "rake-off" of $2 on a hundred shares. Evidently catching the one-point fluctuations is not quite so simple as it looks.

The impossibility of paying commissions out of one-point profits is so evident that only the most inexperienced traders try to employ such a method. Probably two points net would be about the smallest profit to be considered seriously; but that profit, with a 2-point scale, means that the stock may fluctuate 4⅛ points without your making a trade. You are still further from "catching the small fluctuations."

TAKING PROFITS.

An important question in formulating a method of this kind is, Where are you going to take profits? In most cases this is not provided for at all. The trader is left to use his judgment when to take profits. And this, by the way, is a fault common to nearly all broker's letters and market letters of every sort. The trader is rarely told when to take his profit, in spite of the fact that the natural instinct of the inexperienced seems to be, first, to hold for a greater profit than they can reasonably expect to get; then after the market begins to decline, to refuse to take three points profit after having had ten; to hesitate to take five points loss after having had a big profit; and finally to get discouraged, sell out near the bottom and quit the business —until next time.

In trying to catch small fluctuations you must, of course, take a fixed profit on each trade. If you buy Steel common at 80 you are planning to sell it at, say, 82¼—two points net on each trade. But suppose depressed business conditions gradually come on and Steel goes down to 50 and stays around there for a couple of years. During that time you may be making profits at the lower level of prices; but you are hung up all the time with two or three thousand shares of Steel, bought at prices far above the market.

"Oh, well," you perhaps reply, "if conditions became bearish I would accept a loss on some of my line and turn around and work on the bear side."

But when conditions are bullish, prices are high—*that's the reason they are high;* and when conditions are bearish prices are, as a rule, low. Consequently, even if you are fairly successful in deciding when conditions are really bullish or bearish, you are likely to lose a good deal of money in turning from one side to the other.

The obvious remark here is that if you can see bearish conditions coming while prices are still near the top, you can make a great deal more money by selling your entire line then and waiting for a big decline, than you can by playing for two-point profits.

JUDGMENT VS. A MECHANICAL METHOD.

Suppose, however, that on a decline from 80 to 50 in the price of your stock you turn bearish at 70. You then have on hand the following:

100	shares	at	80
100	"	"	78
100	"	"	76
100	"	"	74
100	"	"	72

If all were sold at 70 your loss would be $3,000 plus tax and commissions. It would take about 16 profits of two points each to make up this loss.

At 70, before selling out, you would have on hand 500 shares, requiring margin of at least $5,000, in addition to your $3,000 loss. It will be seen that you could not start on such a plan, in lots of 100 shares each, without a capital of about $10,000.

Now we have credited you with judgment enough to turn bearish when prices have declined from 80 to 70. We may equally presume that you would have enough to turn bullish again after the price has touched 50 and risen to 60. This would have given you a ten-point profit if you had simply sold when you turned bearish and bought when you became bullish again. Also, in your scale system we have assumed that ten points margin would suffice. If you had simply acted on your judgment with that margin you would have doubled your money.

To do as well with your scale method you would have to make $13,000—to cover your loss and give you the

same profit. This would mean 66 profits of two points each, and we can safely say right here that you would never get them within the period covered by such a movement.

"Catching the small fluctuations," by any method of scales or averaging, is a will-o'-the-wisp. In order to do it successfully you need a degree of judgment and knowledge of the market that would enable you to make much more money by working for the long pull. The only ones who can make money out of these small fluctuations are the floor traders on the Stock Exchange or expert tape readers; and neither of these classes will buy or sell on a scale. If the principle of averaging is to be employed it must be done in some other manner.

In the next issue will be discussed other plans for using the averaging principle.

The Stock Register

More Ideas From "The Architect."

(Continued from the September Issue.)

FURTHER rules and suggestions to be applied to the charts accompanying this and the foregoing chapter are:

As long as bulls have control, you will not see more than one day dip, with some weakness next morning.

When the market breaks two full days, closing at bottom on second day, you may consider that the next bear move has started.

Signs of a movement's culmination: After a period of advancing prices a slow decline sets in, followed by a sharp rally, or after a long decline a slow advance sets in, followed by a sharp break. Declines are accomplished more rapidly than advances.

The best kind of a bank statement is the one where the increase in surplus reserve is due to a reduction of loans, with increased deposits.

Greater activity on the advance than on the decline is an indication that the buying is better than the selling.

When prices rest right at their highest or only 1/8 below, it is technically a bullish indication.

A large aggregate volume of stocks coming out on the decline means liquidation.

When stocks "mark time," do the same.

Do not speculate in any stock that is not active as shown by the volume of daily transactions.

When an inactive stock shows a few days of "no transactions," then a day or two of 100-share lots, then a day of 1,500 to 3,000 shares, "get busy." If the stock is at a considerably lower level than its previous price, "buy." If the reverse, "sell."

Confine yourself to trading in one stock and have patience.

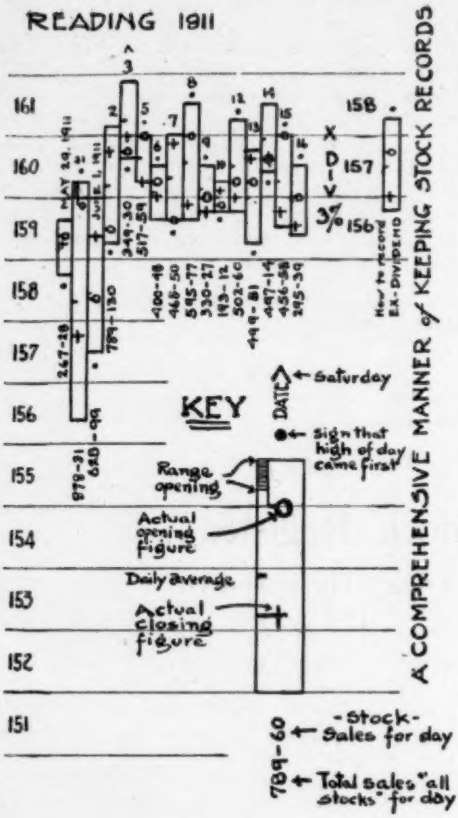
The greater the volumes and the bear excitement, the more certain that low figures are being made.

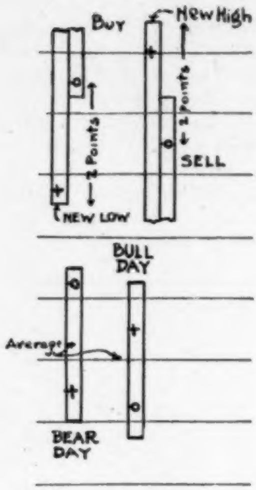
Volumes are of great importance, keeping in mind the trend of the market. I consider that the most reliable way to ascertain whether accumulation or distribution is taking place is by considering each sale in a stock which is 1/8-point or more higher than the previous transaction a purchase, and each one 1/8 or more lower a sale.

A quick scalp can generally be obtained by selling if the opening is 3/8 of a point higher than the previous day's closing. If the reverse, buy.

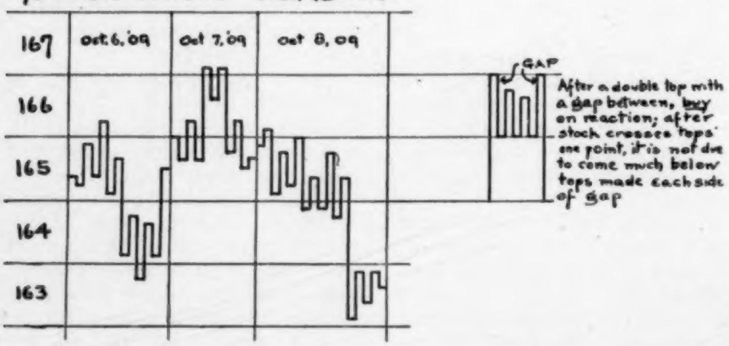
A day when the opening price is be-

A COMPREHENSIVE MANNER of KEEPING STOCK RECORDS





1/2 POINT CHART - READING -



When a stock makes a new high and then a new low, in comparison with the previous days high and low, it is a sale. Reverse for buy

When a stock makes a new high and reacts 3/4 of a point, it is a sale. Reverse for buy

low the average (center) and the closing quotation is above, the average is considered a "bull" day. Reverse for "bear" day. If both the opening and closing quotations are below or above the average (center), consider same a "neutral" day.

As soon as a stock will not make the high quotation of a previous day, look out for a reaction or a turn down.

A good stop is one point above previous day's top when short; reverse for long position. Never use a stop of over 2½ points. The advantage of this I have tested and proven most conclusively.

The object of stops is to prevent large losses and long tieups.

If tops for three days hold close together, it has a rather bearish significance.

It is a remarkable fact that old tops often make new bottoms, and old bottoms new tops.

A violent move almost always follows narrowness.

A person who waits until every phase of uncertainty is removed from the path of speculation and every doubt is lifted, will keep on waiting.

Capital is the speculator's breath of life. He cannot engage in market operations on promises to pay.

Those who consider Wall Street as a strictly business proposition are the only ones who meet success.

The greatest error, one which involves frequently considerable loss, is made by those who take a fixed position marketwise and who cannot, or rather will not, change under any or all circumstances.

Speculation is an offspring of investment, and in itself is legitimate and helpful when wisely guided. Conservative speculation, founded upon reason and limited in its extent to a reasonable proportion of the resources of the investor, is a business proposition no more hazardous than mercantile or manufacturing enterprises.

The principal element in any success is time. The ability to start is worthless without the stability to finish. Cessation of effort after success means proceeding on momentum, and momentum is only a gradual progress toward a full stop.

When a stock makes a new high and then a new low, in comparison with the previous day's high and low, it is a sale. Reverse for a buy. When a stock makes a new high and reacts ¾-point, it is a sale. Reverse for a buy.

When a stock opens above a previous day's average (center) and closes below its own day's average, it is a sale. Reverse for a buy.

When a stock leaves a pinnacle as on May 31, 1911 (see chart), at least one point on each side of the day, stock is a buy. Reverse for a sale. When the opening and closing of a day come together as on June 14, 1911 (see chart), the first ¾-point move generally gives the trend.

When a stock has been going down for four or five days and there comes a day when the daily average is higher than the day before, and the closing for the day is above the day's average and above the opening, buy at opening next day. Reverse for a sale.

If market opens ½-point or more above the previous day's average (center), it should not break this average. If it does break previous day's average ¼ of a point, it should go as much below the previous day's average as it sold above the previous day's average, making same average.

As a rule when stocks skip a place they sooner or later come back and fill the gap.

After a protracted period of narrow range days I have never known any serious decline. At the same time there is a first time for everything.

It is always better in the long run to suffer some small losses than to take a positive stand and be obstinate.

If the market is above the opening or previous night's close at 11 p. m., it will sell higher during the day, six times out of ten.

After a three-days' rally ending in a bulge get out of your position.

If stocks close at the bottom of the day it generally indicates some rally for the next day.

Each stock has its own characteristics; for this reason one rule cannot be applied equally to all stocks.

If at 1 o'clock stocks are lower than previous day's close, and the market is inactive and dull, it is a sign that stocks will have a good move-up.

Sell two points below a previous day's low quotation, provided the stock does not first touch the previous day's average. Buy two points above previous day's high, provided stock does not first touch previous day's average.

After stocks have advanced three days, close at the top and open high the next morning; there is almost sure to be a sharp reaction. After stocks have declined three days, closing at the bottom, they are almost sure to advance the next day.

A bull market, a bear market, or a variable market has a 75% chance that the same kind of market will follow next day.

Avoid buying in a boiling market, but follow profits with a 1½-point stop.

Buy on the first strong move-up; use caution on the second and move stop to 1½ points under on the third. By moves are meant moves for the day.

A narrow range for a whole day shows that little stock is being brought out, and reaction cannot go far, unless stocks can be forced out or shorts obliged to cover.

If a stock makes a new figure and closes below the average (center), it will rally but not make a new figure. If a stock does make a new figure, wait for a reaction and buy.

* * *

These observations should not be used as set rules—they are guides and should be used as such only. The close observance of sales and the keeping of a sheet for constant reference will attract notice at once toward any stock which, after a period of inactivity, is being brought forward for an advance.

Take the "Bargain Indicator"; note some of the semi-inactive stocks, and when one of them suddenly becomes active, even though the advance or decline is slight, if the transactions are large (by comparison with previously recorded activity), the trader can infer at once that some "movement" is about to follow. He has only to watch carefully to detect the trend to know which course the movement is likely to take.

When a movement is nearing its culmination the volume of sales and closing quotations will warn the trader, and although the movement may apparently be in full swing, the heavy sales that are recorded at such times tell him plainly that the end is near.

What Has Been Your Experience In the Stock Market?

AMONG the suggestions which have recently been received by THE TICKER is one calling for "The actual experiences of traders." A number of subscribers have made this same suggestion, and we feel that although THE TICKER has presented in foregoing numbers articles of this description, there are many other experiences that might be recounted to advantage.

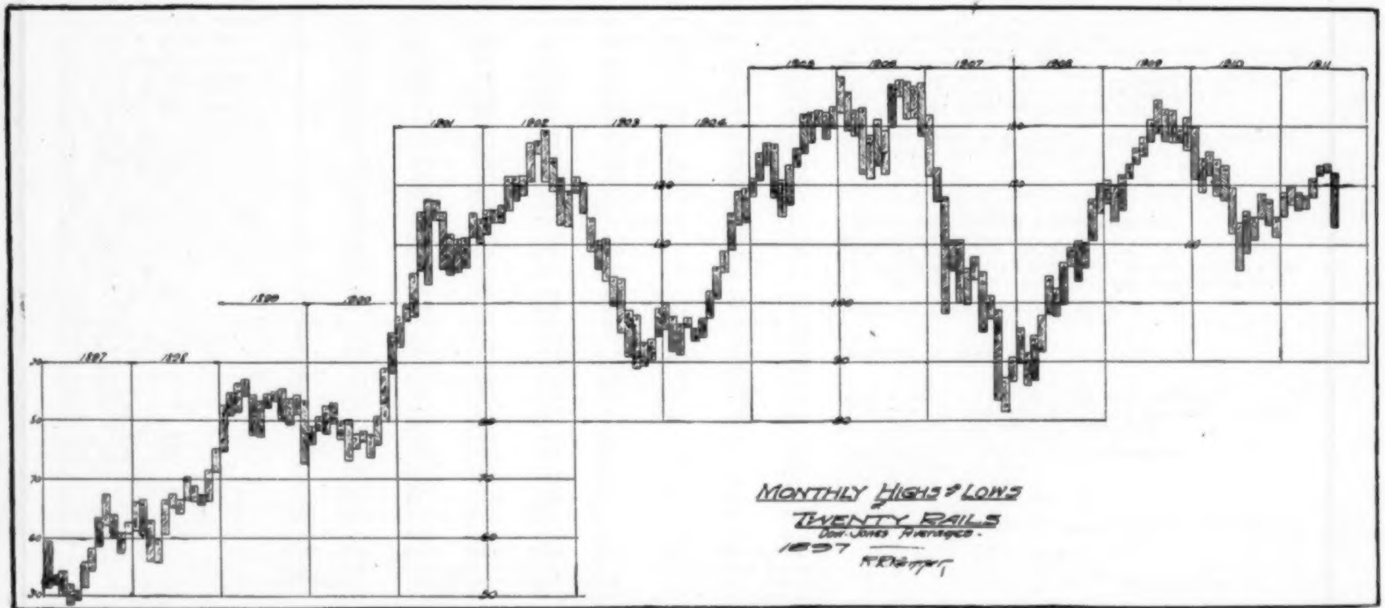
We seldom hear of the market mistakes resulting from inexperience or other causes. Whether you have made or lost money makes no difference; in fact, more can often be learned from one's mistakes than from his successes.

So write us your experiences in your own way, stating the facts and consequences as they actually happened. Your name will not be mentioned unless you so request. Write on one side of the paper only.

The following prizes will be awarded for the three most instructive experiences in either the speculative or investment field. Such articles to be received by November 1, 1911:

1st prize. 3 years' subscription to THE TICKER
2d prize. . 2 years' subscription to THE TICKER
3d prize. . 1 years' subscription to THE TICKER

We have on several occasions made similar requests, and some of the best articles we have had resulted.



A Trend Indicator.—By Richard R. Renner.

THERE is nothing more important to the speculator or investor than the trend of the market. It is equally obvious that, in any method of its determination, all minor or insignificant movements be eliminated. Nearly everyone who has had occasion to watch the movement of the prices of stocks has noticed the apparent weakness at accumulative, and strength at distributive periods. The accompanying chart, showing the monthly movements of Dow-Jones' average of twenty rails, seems to possess the above requisite. The turning points are rather clearly shown, though not so unmistakably as is the trend when once started. This is especially true of bull markets.

One may often hope, but rarely succeed, in "getting on" at the bottom and "off" at the top. By a glance at the chart we see that he may allow the trend to define itself before taking a decided stand. July, 1904, and April, 1908, are good examples of this. The market since July, 1910, has been a bit of an anomaly; one may form his own opinions of the present trend, and with this picture of the market before him, it seems to me that he will be more competent. A new low during September would not indicate a rampant bull market.

THE BARGAIN INDICATOR

Comparative Earnings of Important Stocks

NOTE—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvement of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table only. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount.

RAILROADS

	Present div. rate.	Earnings on par for fiscal year ending on any date during 1906.	1907.	1908.	1909.	1910.	1911.	Present price.	Earnings last fisc. yr. on pres. pc.	Notes.
Hocking Val. com.........	4	9.9	11.2	6.0	8.3	18.2	....	120	15.1	
Lehigh Val.	10	18.2	20.0	19.2	15.4	23.0	....	157	14.6	On $40,441,000 stock; on $60,502,000 now outstanding, earnings 15.4%.
Louis. & Nash............	7	10.6	10.7	7.5	14.3	17.3	....	138	12.5	Controlled by Atlantic Coast Line.
M., St. P. & S. S. M. com.	7	11.7	9.6	8.4	8.8	15.7	....	131	12.0	Controlled by Can. Pac.
Reading com.	6	13.9	13.0	12.7	13.2	16.1	....	141	11.4	Controls Jersey Central.
Col. & So. com...........	2	3.5	4.5	4.8	4.9	7.3	5.2	46	11.3	Controlled by C. B. & G. (Hill management).
Twin City com............	6	8.1	8.2	8.3	9.9	10.9	....	105	10.3	
Un. Pac. com.............	10	14.2	16.5	16.2	19.1	19.2	16.6	161	10.3	Holds $307,098,550 secur. of other co.'s.
Den. & R. G. pfd.........	2½	8.1	9.1	7.7	6.6	8.3	4.7	46	10.2	Controls and finances West. Pac., which don't earn fxd. chgs.
Atl. Coast	6	10.8	6.3	5.6	9.4	12.0	....	119	10.1	Holds control of Louis. & N. by stock ownership.
So. Pac. com.............	6	8.1	12.5	7.4	10.2	13.0	9.7	107	9.6	
Mo. Pac.	0	8.1	9.9	3.7	1.3	3.3	....	35	9.4	
Norf. & W. com...........	5	9.7	9.0	7.1	8.7	11.6	9.2	102	9.0	Controlled by Penna.
So. Ry. com..............	0	1.9	—0.6	—2.2	0.5	2.3	....	26	8.9	
Atchison	6	11.8	15.0	7.7	12.1	8.9	....	102	8.7	
Erie com.	0	2.2	3.0	—3.7	0.3	2.9	2.5	30	8.3	Actual earns. before approp. eq. 3½%.
Kan. C. So. com..........	0	0.3	5.4	2.6	3.4	2.2	....	27	8.1	
New Haven	8	12.2	9.2	5.4	7.4	10.3	....	129	8.0	Div. reduction under discussion. On $105,000,000 stock; on $113,000,000 now outstanding, earnings would be 9.5%.
No. Pac. com.............	7	14.5	15.1	12.8	10.7	9.0	....	114	7.9	Controlled by Gt. No. interests.
Penna.	6	11.7	10.7	9.0	11.0	9.3	....	120	7.8	Has paid div. since 1856.
B. R. Tran...............	5	4.8	4.8	4.1	4.2	5.6	....	73	7.7	Subways will eventually enlarge earnings.
Del. & Hud...............	9	12.6	15.2	12.4	12.2	12.5	....	162	7.7	
Can. Pac.	10	14.1	13.7	10.6	8.6	16.0	17.3	227	7.6	Div. 7% from R. R.; 3¼% from land sales.
Chesa. & O...............	5	7.3	5.4	4.4	6.4	10.0	5.1	70	7.3	
M., K. & T. com..........	0	1.8	5.0	0.4	0.7	0.8	2.0	28	7.1	
Ch. & Alton com..........	0	1.0	5.2	2.5	4.2	1.4	....	20	7.0	Controlled by Tol., St. L. & W.
Gt. Nor. pfd.............	7	13.0	11.8	7.1	8.3	8.5	....	122	7.0	Has large equity in C., B. & G. and Canadian extension.
B. & O.	6	12.6	9.9	5.1	7.1	8.9	6.7	96	6.8	
Buf., Roch. & P. com.....	5	8.6	8.7	6.2	6.3	7.3	8.0	120	6.7	Pfd. and com. share equally above 6%.
D., L. & W...............	20	22.2	38.5	40.8	52.8	35.4	....	540	6.6	"Other inc." reduced account segregation Coal Co.
P., C., C. & St. L. com...	5	8.6	8.8	7.2	9.8	6.1	....	92	6.6	Pfd. and com. share above 5%. Controlled by Penna. Co.
N. Y. Cen................	5	4.6	6.2	5.1	7.7	6.4	....	101	6.3	Recently reduced div. to 5%.
Ch., Mil. & St. P. com....	7	12.3	10.5	9.5	7.2	8.0	7.1	112	6.3	Inc. divs. from Puget Sound and other sources. Pfd. and com. share above 7%.
Chi. & N'western com....	7	14.8	12.7	11.2	11.4	7.7	....	140	5.5	
Ill. Cen.	7	....	....	8.4	7.4	7.1	....	130	5.5	Div. paid since 1863.
Minn. & St. L. pfd.......	0	10.4	7.8	2.7	—2.4	1.9	....	35	5.4	
N. Y., O. & W............	2	2.0	2.8	2.6	2.3	2.3	2.0	38	5.2	Controlled by N. Y., N. H. & H.
Wabash pfd.	0	—5.4	0.9	0.3	—0.5	1.3	....	26	5.0	
Wis. Cen. com............	0	1.7	3.2	—0.6	0	2.5	....	50	5.0	Leased to M., St. P. & S. S. M. (Can. Pac. System).
St. L. S. W. com.........	0	—2.7	3.7	—4.2	—2.5	—1.1	1.4	30	4.7	
C., C., C. & St. L. com..	0	4.1	3.1	0.4	4.8	2.1	....	50	4.2	
Rock I'd pfd.............	0	....	....	....	....	1.6	....	47	3.4	Owns 94% of stock of R. I. Lines.
Ch. Gt. W. pfd...........	0	....	....	....	....	1.2	....	37	3.3	
West Maryland com........	0	....	....	....	....	0.9	....	52	1.7	New extension will expand earnings.
L. E. & West. pfd........	0	3.1	2.0	—2.0	0.8	—0.2	....	26	.0	Controlled by Lake Shore.
Iowa Cen. pfd............	0	4.2	7.5	3.8	—4.1	—0.4	....	38	.0	Controlled by Minn. & St. L.

Preferred stocks earning more than the per cent. to which the dividend is limited, but now receiving either no dividend or less than said limit:

Erie 2d pfd..............	0	19.4	24.9	—22.1	6.4	24.3	21.7	40	54.2	

L. E. & West. pfd.	0	5.1	2.6	—2.6	6.8	—0.2	....	26	.0	Controlled by Lake Shore.
Iowa Cen. pfd.	0	4.2	7.3	3.8	—4.1	—0.4	....	38	.0	Controlled by Minn. & St. L.

Preferred stocks earning more than the per cent. to which the dividend is limited, but now receiving either no dividend or less than said limit:

Erie 2d pfd.	0	19.4	24.9	—22.1	6.4	24.3	21.7	40	54.2	
Erie 1st pfd.	0	10.4	12.3	—3.4	6.1	12.1	11.2	50	22.4	
So. Ry. pfd.	1	8.7	3.8	0.7	6.0	9.6	....	63	15.2	Recently resumed divs.; no reg. rate stated.
St. L. & S. F. 2d pfd.	0	13.2	24.7	1.6	8.2	5.8	....	39	14.8	
St. L. So. W. pfd.	4	2.8	7.9	1.6	2.9	4.1	6.1	69	8.8	

INDUSTRIALS

	Present div. rate.	Earnings on par for fiscal year ending on any date during 1906.	1907.	1908.	1909.	1910.	1911.	Present price.	Earnings last fisc. yr. on pres. pc.	Notes.
Beth. Steel pfd.	0	5.1	10.8	2.4	5.3	13.4	....	59	22.7	
Am. Steel Found.	0	5.9	14.0	0.3	0.1	6.1	....	27	22.5	
Ry. Steel Spr. com.	0	8.7	8.6	—1.3	5.3	6.0	....	27	22.2	
Am. Loco. com.	0	17.7	18.1	11.1	—3.1	1.3	7.3	34	21.2	
Am. Beet Sug. com.	0	1.0	4.2	7.0	7.3	10.9	....	53	20.5	
Westing. El.	0	....	....	....	....	7.6	12.3	61	20.0	
Pr. Steel Car com.	0	17.2	13.3	—5.8	7.7	5.5	....	28	19.6	
Am. Ag. Chem. com.	0	4.1	6.2	6.1	7.5	10.4	9.5	52	18.3	
U. S. Steel com.	5	14.4	15.7	4.0	10.5	12.3	....	68	18.1	
Allis-Chal. pfd.	0	—2.4	—2.7	4.2	0.7	3.1	....	18	17.3	
Sears, Roeb. com.	7	6.6	8.5	4.5	18.4	20.5	....	133	15.4	In 1911 p'd a 33½% stock div.
Am. C. & Fdry. com.	2	4.5	20.1	23.8	2.6	6.6	7.1	46	15.4	
Col. F. & Iron com.	0	1.7	0.9	0.4	2.1	4.0	....	27	14.8	Pfd. in arrears equal to 3½% on com. for 1 yr.
Int. Harv. com.	5	5.1	6.5	7.8	17.8	14.8	....	105	14.1	
U. S. Realty & I.	5	4.8	6.0	7.7	9.2	9.7	9.4	68	13.8	
Am. Cot. Oil com.	5	3.8	8.7	3.2	10.4	6.8	....	51	13.3	
Gen. Chem. com.	6	7.3	5.7	4.5	14.4	15.6	....	130	12.0	
Int. Paper pfd.	2	8.9	7.2	7.3	2.7	4.5	....	47	11.2	Entitled to 6% cum. div. in arrears.
Gen. Elec.	8	11.7	11.6	10.2	7.4	16.7	....	149	11.2	
Nat. Enam. & Sta. com.	0	1.7	6.7	—2.1	1.1	1.7	1.8	17	10.6	
Rep. I. & Steel com.	0	3.8	8.5	2.0	0.7	4.6	2.5	24	10.4	
Un. Bag & Paper pfd.	4	7.3	7.0	7.4	6.2	5.4	5.5	55	10.0	
No. Am.	5	3.2	4.7	4.8	6.0	6.2	....	65	9.5	
Am. Lin. pfd.	0	....	....	....	5.8	4.5	2.6	28	9.3	
Am. Sm. & Ref. com.	4	10.6	12.8	7.0	7.7	7.1	6.3	68	9.2	
Corn Prod. pfd.	5	....	7.2	8.5	8.2	6.9	7.0	78	9.0	Div. cumulative and in arrears.
Pitts. Coal pfd.	5	8.1	10.0	1.7	3.0	7.2	....	81	8.9	
Pac. Coast com.	6	10.1	10.3	5.7	5.3	8.8	....	100	8.8	
Nat. Lead com.	3	5.3	6.0	5.8	6.2	4.3	....	49	8.8	
Peo. Gas	7	6.9	7.6	8.4	8.9	9.0	....	103	8.7	
U. S. C. I. Pipe pfd.	0	14.0	14.7	5.4	1.2	4.4	3.9	46	8.4	
Utah Cop. (par $10)	30	....	5.9	23.3	29.5	34.6	....	$42	8.4	
Am. Can pfd.	5	5.1	6.4	6.6	6.7	6.8	....	83	8.2	Cumulative in arrears.
Nat. Bisc. com.	7	7.1	7.6	8.1	7.4	7.7	....	127	7.7	
Am. Wool com.	0	3.5	3.3	3.9	5.2	2.2	....	29	7.6	
Am. Malt pfd.	2	2.8	—4.0	10.6	6.2	3.0	....	40	7.6	
Pullman	8	14.7	11.6	9.8	10.9	11.6	....	156	7.5	
West. Union	3	5.9	5.0	1.7	5.8	5.7	....	76	7.5	Controlled by Am. Tel. & Tel. Co.
Am. Tel. & Tel.	8	8.2	9.0	10.1	9.0	10.0	....	135	7.4	
Dist. Sec.	2	6.4	7.8	1.5	2.2	2.3	....	31	7.4	Holds maj. U. S. Ind. Alcohol.
Amal. Copper	2	5.9	9.2	4.3	2.4	3.9	3.9	55	7.0	Controls Anaconda and other Butte and Mex. mines.
Int. S. Pump com.	0	....	3.7	2.0	1.4	2.8	2.1	30	7.0	
Tenn. Cop. (par $25)	6	16.5	16.0	6.5	6.8	8.9	....	$32	6.9	Income chiefly from sulphuric acid mfg.
Va.-Car. Chem. com.	3	4.8	5.9	3.7	7.1	10.4	3.1	51	6.0	
U. S. Rubber com.	0	4.1	4.4	0.2	4.0	7.8	2.2	38	5.8	
Cons. Gas	6	....	3.9	4.9	6.7	7.4	....	132	5.6	
Sloss-Sheff. com.	0	5.3	9.9	4.9	6.6	2.0	....	36	5.5	
Am. Sugar Ref. com.	7	....	12.4	7.5	3.9	3.8	....	116	3.1	1910 earn. after deprec. and settlements.
Am. Hide & L. pfd.	0	1.9	2.2	—0.1	11.2	—5.6	0.5	20	2.5	
Cen. Leather com.	0	0.4	0.4	1.3	6.3	—2.1	....	22	.0	
Pac. Mail	0	1.4	0.7	—2.1	—1.7	—1.1	—1.0	30	.0	

U. S. Steel's Ore Rererves

How Is Their Value to Be Calculated?

By F. A. GIFFIN.

DOES anybody really know the value of the Steel Corporation's ore reserves? Recently published estimates range all the way from nothing to $2,000,000,000, and the mental processes by which these valuations are deduced seem to be equally diversified. This article is not prompted by a spirit of criticism, however, but rather from a conviction that the general public, among whom the securities of this Corporation are so widely distributed, is entitled to full and correct information as to the value of its property. Not being a practical "steel man" by profession, I shall presume merely to outline the methods which ought to be followed in an appraisal of the ore reserves by those who are in a position to make correct basic assumptions of fact. The figures that follow are to be regarded merely as illustrative of the principles involved; not as giving the true value of the ore reserves.

Let us assume then that $1.00 a ton is a fair royalty on all the corporation's ore; that is, let us say that this may be regarded as a fair profit for the company to pay an outside concern for a tone of ore, over and above all costs of mining. Then it is evident that by owning its own ore the company will save this profit on each ton that it mines. In other words if, in ten years from now, the company mines 30,000,000 tons of ore from its own holdings it will thereby save during that year $30,000,000 which it would otherwise be obliged to pay as profit to some outside concern. Consequently this particular block of 30,000,000 tons of ore, now in the ground, represents an income of $30,000,000 which the company expects to receive in ten years from now. But we all know that the present value of this deferred income is less than $30,000,000. How much less depends, of course, upon the rate of interest assumed in computing this present value.

Since a concrete example is usually more elucidating than an abstract discussion, let us suppose that a company expects to mine 25,000,000 tons of ore next year, 3 per cent. more the second year, etc., the rate of production increasing each year at the average rate of 3 per cent., which is equivalent to a 34 per cent. increase each decade. On this basis a supply of 2,000,000,000 tons would last about 40 years. What is the company justified in paying for this forty year's supply?

It is well to observe that this is, in the last analysis, an investment in mining property and, as such, involves more or less of uncertain risk, even though the ore may have been blocked out. Who can say whether 50 cents or $2.00 will be regarded as a fair mining profit on such ore 40 years from now? Who knows what new deposits will become available during the next 40 years, either from discovery or from perfecting new methods of economically treating and transporting low grade ores? History teaches that an ever growing demand for one of Nature's abundantly stored treasures is generally accompanied by a *decrease* rather than an *increase* in price. Surely then it would be folly to purchase quantities of a natural commodity that is as widely distribted in nature as iron is known to be, with the expectation of profiting by a speculative rise in value; for it would seem that the reverse is more likely to occur over a long period of years. A monopoly value of coking coal, or even fuel coal, in which there is some prospect of a shortage in the future, is conceivable; but not so with iron during the next 200 years. Considering the risks involved, then, in purchasing a long-time supply of iron ore, it would seem that 8% is not too high a rate of return to ask on such a mining investment.

Having settled upon an interest rate of 8%, there are two ways of looking at our problem, both of which give identical results. Since the lessons to be learned from each are of great value, we shall follow up both lines of thought.

METHOD 1.—We may regard the valuation of ore reserves as equivalent to determining the present value of a 40 years' annuity that begins with $25,000,000 and increases by 3% each year. In other words we find the sum of the present value of $25,000,000 payable in one year, $25,750,000 payable in two years, and so on up to $81,551,000 payable in forty years. The tables tell us that this sum amounts to $425,000,000, which, under the limitations of our assumptions, would be the worth of a 2,000,000,000 ton ore reserve. This places an average value of 21.25 cents on one ton of ore in the ground; although, after it has been mined, we assumed that $1.00 a ton was a fair net value. The seeming shrinkage in value is due solely to the low efficiency of the many tons that must lie fallow in the ground for years without serving any useful purpose. In fact, while each of the 25,000,000 tons taken out the first year may be regarded as worth a full dollar, each of the 81,551,000 tons that are not to be mined until the fortieth year is now worth only 4.6 cents.

The fact that ore reserved for future consumption is worth so much less than that required for immediate use, raises the question whether politics aside, it is good business policy for a corporation to assume a dog-in-the-manger attitude with respect to supplies of a raw material which promises to be so

little adapted to monopolistic control. This issue too can be more clearly grasped by framing a definite case.

Suppose land estimated to contain deposits of 84,000,000 tons of 50% iron ore should be offered for public sale next week, and further suppose that none of the independent steel companies own any ore reserves, and consequently decide to bid jointly for this block against the U. S. Steel Company. What would happen? I have purposely stated the most extreme case to emphasize the point.

Roughly speaking, this 84,000,000 tons would keep the Independents supplied with raw material for the next three years—whereas to the "Trust" it merely represents the needs of one year, 40 years hence. It follows from the method of valuation just explained that this ore is worth 86 cents a ton to the Independents, but only 4.6 cents a ton to the "Trust" that had been trying to monopolize the supply. We may suppose that the Independents would be willing to bid up to 86 cents for this block, so that, if the "Trust" bought it, it would have to pay 20 times what it was worth to itself as an eight per cent. investment or else consider that this latest investment of $71,240,000 yielded an average return of only ⅓ of one per cent., which would imply a greater degree of safety than is possessed by any government bond. On the other hand if the "Trust" permits this block of ore to go for less than 86 cents a ton there results a drop in the market price of iron ore than necessitates a revaluation of the "Trust's" present holdings which would involve a disastrously large lump charge for depreciation if honestly carried out.

This situation is only one of the devious ramifications of the broad economic law of marginal utility, which, it seems to me, has not been accorded sufficient recognition by modern trust agitators. It may be stated thus: "Whenever one group of capitalists accumulates a stock of a commodity which is much greater, in proportion to its needs, than stocks of the same commodity held by other groups of capitalists, there results a condition of *unstable* equilibrium which must sooner or later readjust itself—politics or no politics."

From the narrower viewpoint of business policy we may pertinently ask whether it would be shrewd management to put $71,240,000 of the stockholders' money into a risky investment that promises to yield little more than ⅓ of one per cent.

Personally I am enough of an iconoclast to maintain that there never is any real conflict between the best principles of business, of economics and of ethics.

Method 2.—We have been led rather far astray from our original problem of appraising ore reserves. To return—the question may be stated differently, as follows: "What sum of money is a corporation warranted in loaning out at 8%, with the understanding that both principle and interest are to be repaid in forty annual installments, beginning with $25,000,000 and increasing by 3% each year?" The answer will be found to be $425,000,000, as derived by Method 1.

This $425,000,000, then, is the present book value of 2,000,000,000 tons of ore in the ground. What will be the book value of the reduced reserve after the first year, after the second year, etc.? The first year's 8% interest amounts to $34,000,000; but the borrower pays back only $25,000,000, hence the difference, $9,000,000, represents unpaid accrued interest which must be added to the debt. This gives a book value after the first year of $434,000,000. Similarly the book value after the second year will be $442,970,000, an increase of only $8,970,000 as against a $9,000,000 increase the year before. In fact this book value of the *remaining* ore reserves, in spite of heavy extractions, will in this assumed case *continue to* actually *increase* up to the 20th year, after which the increased amount of the annual payments (ore extractions) will be sufficient to pay off part of the principal and all of the yearly accruing interest.

This shows that, under certain peculiar circumstances, an ore reserve may actually become more valuable after considerable quantities have been mined; and that, instead of charging off depreciation because of ore exhaustion, it might be conceivably correct to add to the book value of the diminishing reserves. This seeming paradox is *not* to be explained by any speculative increase in the value of iron ore with the lapse of time; but, by referring to Method 1, is obviously due to the fact that each year's future supply is approaching nearer to the time when it will be usefully employed, and has therefore become so much more valuable as to more than compensate for the lost value of the comparatively small amounts mined.

The reason for this may be seen even more clearly by considering the following: Suppose you take a five-year, $1,000 note, bearing interest at 6% per annum payable semi-annually, to your bank for discount; you will be paid $744.09 cents. If, however, you hold this note for a year and then get it discounted, you will receive $789.40. The note has evidently become more valuable, not because there is a greater demand for commercial paper, but because the note is one year nearer payment. Of course it is here assumed that the bank would accept a five-year note, which is doubtful.

The following example may be helpful in clearing up some of the terms of that greatly misunderstood document, the Great Northern Ore Lease:

Suppose that, instead of mining at an increasing rate each year, the Steel Corporation should assume a uniform average rate of exhaustion of 50,000,000 tons a year. Its 2,000,000,000 tons would still last 40 years, but the book value would now be $596,230,500, or 29.81 cents per ton. At the end of the first year, after 50,000,000 tons had been taken out, the book value would be reduced to $593,929,000. That is to say, after taking out 50,000,000 tons the property has depreciated $2,301,500 in value. This shows that depreciation on the first year's ore extraction should be charged off at the rate of only 4.6 cents per ton. Similarly the proper depreciation on the

second year's extraction would be 4.97 cents, etc., the charge continuing to mount each year until the 40th year, when it would be properly taken at about $1.00 a ton.

This shows two things: First, that the amount charged off for depreciation can not be taken as a guide to the average value of the remaining reserves, unless all the other determining factors are properly allowed for. Second, that it does not necessarily follow that iron ores were expected to increase in value, for speculative reasons, in the future, just because the terms of the Great Northern Ore Lease provide for progressively increasing royalties on ore mined.

If the publication of this article calls forth a reply from some one in possession of the exact facts, which will give a more correct estimate of the U. S. Steel Corporation's ore reserves, calculated according to the principles herein set forth I shall feel that something worth while has been accomplished.

Ideas For the Improvement of the Magazine

Many Suggestions Which Will Aid in Making "The Ticker" More Valuable to Its Readers.

HEREWITH are presented a number of excellent suggestions from subscribers as to methods of improving this magazine. The prize for the best suggestion received up to August 1 was awarded Mr. Gustav Mueller, of Brooklyn.

Another two years' subscription to THE TICKER will be given as a prize for the best suggestion received up to October 1, 1911.

This Idea Improves the "Bargain Indicator": After a speculator has *studied* and *digested* (not only read) the different real practical books you advertise and the different articles, "What Makes the Market?" and others, which you print frequently in THE TICKER, he is able to determine to a certain extent if a bull or a bear market is under way. By studying THE TICKER (from cover to cover) he also gets acquainted with methods of trading and many other things important to know.

The next important question for the speculator is: What is best to buy for "long" deals and what is best to sell short? This question you answer to a very great extent in your "Bargain Indicator."

It is logical: Any stock located at the top in the "Bargain Indicator" should be a good one to purchase and any one located at the bottom should be a sale, but is it fit for a short sale as well?

I also refer to your own note: "The value of a stock cannot be judged by its position in the table only"—as the last report may have been a good or bad one for some special reason.

These points of view resulted in the following suggestion:

Your "Bargain Indicator" is good as it is now but should have another column containing notes like:

Is the controlling party working in the interest of all stockholders? (See TICKER, February, 1911, page 157.)

Who is the controlling party?

About the possible future of a property, for instance: Does the railroad run through a developed or undeveloped section of the country?

About special market merits of a stock which make it for "long" or "short" contracts especially fit.

To gain the space on the double page of the "Bargain Indicator" necessary for carrying out this suggestion I would propose:

Have the general notes printed on the preceding page and turn the printing 90 degrees.

Besides the names of the stocks could be more abbreviated, by doing so you would gain about half an inch more.

Another good aid to the reader would be if you would in each copy of THE TICKER publish an analysis of the market for the preceding month. This would teach the reader to understand the small (5 and 10 points) swings.

I admit that my first suggestion is not so easy to carry out as it would include some work but it would be to a great benefit of the readers, because it takes care of disadvantages of the "Bargain Indicator."

Wishing you good success with your magazine which you certainly deserve as you are trying your best for the benefit of your readers.

Ed. Note.—The stocks at the bottom of the "Bargain Indicator" are not necessarily a short sale. You will find that the majority of them are low-priced and inactive issues. Others which are located low down in the table are there for some special reason. For example, Western Maryland common only earned .9 of 1 per cent. in 1910 (fiscal year), but the new line which is being built will enormously multiply traffic on this road, and bring a corresponding increase in earning power.

Facts recorded in "The Investment Digest" should be considered in connection with this table. The best stocks for selling short are those in which the speculative interests are large, preferably high-priced stocks like Union Pacific and Reading, which break badly when the market is weak. These should invariably be protected by stop orders.

We could hardly show in our columns that this or that controlling interest is, or is not working in the interest of its stockholders. As to who controls the various properties you will find some information on this subject in the early chapters of "Studies in Stock Speculation," also in our book on "Tape Reading."

The section through which a road runs is a matter which would occupy too much space to be included in the "Bargain Indicator."

Regarding "the special market merits of a stock," as you put it, we have in mind a new feature for our magazine which will probably meet this suggestion. Your plan for the arrangement of the "Bargain Indicator" is a very good one, and it will enable us to include many side notes which form an important consideration. Your idea of a digest of the previous month's movements is also an excellent one.

We have adopted your "Bargain Indicator" idea.

From a Practical Californian: On the rough sketch herewith, No. 1 on the diagram, is the ratio "Loans to Deposits" upside down. For my purpose I color my graphics: red denotes deposits in excess, blue loans in excess. For your purpose you do not need to color. No. 2 is the cash or reserves, showing actual and required reserves. On the diagram I have noted a portion of your graphics which you published on page 239 of the September TICKER. Suppose you add to these graphics similar graphics of money conditions.

Note.—This idea is incorporated in this number.

Ex-Dividend Dates Wanted: Some time since I received a slip asking me to criticize THE TICKER. There is little to do in that line. I suppose, however, you aim to make the magazine a necessity to all in the financial or stock line, and to do so is easy, as THE TICKER is nearly there now.

You should publish a page of stocks selling ex-dividend during the month up to the date of publication of next month; then, to me, the magazine would be perfect. Your suggestions on methods, etc., are a subject for thought for all, and an education. I take twenty-three magazines besides letters—such as Moody's Magazine and letters, Gibson's letters, and Babson's letters, and aim to learn, also other magazines to help. Yours would be the best if the above was followed out.

Ed. Note.—Some time ago we ran a page containing dates on which stocks would sell ex-dividend, but it was found that these dates were changed so frequently by postponement, failure to secure quorums, etc., that they

could not be generally depended upon. We therefore discontinued this feature.

One of Many Who Want a Weekly Supplement: Having just finished the article by "Rollo Tape" in September number, the idea for improvement in your valuable magazine seems to be clearly brought out (at least to my mind) and that would be to issue a weekly supplement in addition to the monthly publication. This could carry out the figure chart each week and be accompanied by information as to the various danger points, such as 121, suggested in the above article.

No doubt a great many of your readers are like myself, located a great way from New York and do not get the valuable information that "Rollo Tape" gives us in his article until it is entirely too late to act upon. No doubt a small benefit of this kind could be issued after each Saturday market and mailed so as to reach all of your subscribers in time for Monday's market, thereby strengthening their position marketwise 100 per cent. No doubt every subscriber on your list would be glad to pay this additional expense, whatever it might be.

Ed. Note.—We should like to hear from those of our subscribers who would be interested in a weekly supplement to THE TICKER, designed to show the main trend as a guide on long pull operations.

Many of those who study "Rollo Tape's" articles have expressed a desire for some way of confirming their judgment as to the trend of the stock market.

Are you interested in such a weekly supplement?

What would it be worth to you per month and per annum?

THE TICKER would like to hear from all who are interested, after which the matter will receive consideration.

A BAD ROAD TO TRAVEL ON.

An Extreme View

Letter From a Reader Predicts a Great Decline.

EDITOR THE TICKER:

This is why we are in danger of having a panic within a year:

First of all the big men have sold out their stocks. We will say that they disposed of their Union at from 190 down to 170.

This being an accepted fact, it must be admitted that stocks are in weaker hands than they were six weeks ago. It is useless to ask: Who has them? Somebody is the owner of every single share of stock that exists.

The market is now struggling with a mass of stocks which are in these comparatively weak hands, and as the outlook is more uncertain that when they sold out, there is no reason why they should buy back their stocks at this level.

It is estimated that all kinds of crops the world over are short three billion dollars. This of itself is sufficient to produce a panic within twelve months. Each year the world consumes so much breadstuffs, foodstuffs and other commodities. This consumption is supposed to be replenished from the ground annually, but this year the world is short three thousand millions of dollars' worth, one-third of which is in our own country.

Funds which might otherwise flow into investment channels will have to be used for living expenses. The high cost of living will produce strikes and bread riots, such as are already breaking out in China and Spain. Industry will be checked the world over.

The San Francisco earthquake and fire involved only a loss of five or ten per cent. of the above total, but see what a disastrous effect it had upon our security markets!

We are coming into a period of political agitation and tariff adjustment, as well as one involving the remodeling of industrial methods in accordance with Sherman Law requirements. It is said that J. P. Morgan regards President Taft as a greater menace to industrial enterprises than his predecessor.

General business throughout the country is bad and gradually growing worse. To talk of *present* railroad earnings, bank clearings and steel output is to speculate backwards. Steel prices are 20 per cent. less than a few months ago and output represents orders booked early in the summer.

It is admitted that stocks like New Haven, Baltimore & Ohio, Chesapeake & Ohio and others, will probably be obliged to reduce their dividend rate. This being the case a number of weaker roads should go into receivers' hands. It looks to me as though the next year or two would be one of readjustment which can be compared only to 1893-96.

Stocks recently sold by large operators will not be taken back on any 20 or 30 point decline but when they become bargains. Figuring on the bargain prices for trans-continental roads, Panama Canal competition and reduced rates must be considered—remember, it is the future which counts with intelligent speculators and not the past.

Altogether it seems as though prices (which are now about half-way between the low of 1907 and the high of 1909), should decline another 20 to 40 points. This would mean a panic in the security markets. For the past seventeen years we have had a panic every less than three years on the average, and it is now nearly four years since the last one occurred.

The gist of my argument is that a shrinkage in crop values the world over is in itself sufficient to produce a panic. There are other contributory causes with which we are thoroughly familiar and which may hasten the climax.

Yours truly,

September 13, 1911. SOME BEAR.

A Moving Picture.

"It was a terrible sensation," says the man who is narrating his experiences while almost drowning. "After I went down for the third time my past life flashed before me in a series of pictures."

"You didn't happen to notice," asks the friend, edging forward with interest, "a picture of me lending you that $10 in the fall of 1898, did you?"—Life.

The Investment Digest

THIS Digest is prepared from news appearing in the following publications: New York: *Bond Buyer; Financial News; Wall St. Journal; Financial America; Moody's Magazine; Moody's Manual Supplement; Commercial & Fin. Chronicle; Financial Age; Financial World; Railway Age Gazette; U. S. Investor; Commercial; Brooklyn Eagle; Leslie's Weekly; Evening Mail; Evening Post; Herald; Journal of Commerce; Sun; Times; Tribune.* Boston: *News Bureau; Commercial; Financial News; Transcript; Herald; Post.* Chicago: *Record-Herald; Tribune.* Philadelphia: *Financial Bulletin; Railway World; North American;* Pittsburg *Dispatch;* Washington *Post;* Louisville *Courier-Journal;* New Orleans *Times-Democrat;* Baltimore *Sun;* St. Louis *Post-Dispatch;* Cincinnati *Commercial Tribune;* Cleveland *Commercial Bulletin;* Memphis *Commercial Appeal.* Kansas City: *Star; Journal;* Dallas *News;* Houston *Post;* Seattle *Times;* Toronto *Globe;* Montreal *Star;* Minneapolis *Commercial West;* Birmingham *Age-Herald;* San Francisco *Journal of Commerce;* Denver *Post;* Atlanta *Constitution;* London *Statist.* Also from the Financial Reviews of leading banking and Stock Exchange houses, too numerous to mention.

The sources of items are indicated as follows: *Leading financial and investment publications. †Banking and Stock Exchange houses. §From official sources. Neither THE TICKER nor the above authorities guarantee the information, but it is from sources considered trustworthy. Owing to the vast amount of information condensed into these pages, many abbreviations are necessary.

Am. Agri. Chemical.—§After deducting all chgs., incl. int., betterments. and renewals and setting aside $650,318.59 as reserve for freights, losses and contingencies and $100,000 for fire ins. there remained net profits for yr. end. June 30, 1911, $2,679,917.27, from which were deducted two semi-an. divs. paid on the pfd. stk. of Co. amting. to $1,143,114, leaving net bal. of $1,536,803.27 for the yr. $400,000 was deducted from this amt. for depre. of brands, patents, trade-marks and good-will, leaving net surp. for the yr. $1,136,803.27. Balance for yr. over and above pfd. divs. is equal to 9.04% on $16,991,300 outst. com. stk., against 10.41% in yr. prev. and 7.51% in 1909. —*At close of late yr. workg. cap. totaled $21,422,824 and report states $2,345,000 bank loans were paid in July. Actual net workg. capital on June 30 last was equal to $114 per sh. of pfd., or a bal. of $10,000,000 for the $18,826,000 pfd. after allowing par for entire bonded debt. This is security enough for any one and promises sustained com. stk. divs. when once inaug.—*If directors accept report of so-called audit comm., a div. on the $17,000,000 com. stk. will prob. be decl. within next mo. The prob. initial decl. will be 2%, with the underst. that this div. may be construed as a semi-an. decl., placing issue on a 4% basis. This audit comm. is composed of five of the most influential directors on the board and chances are decidedly good that the full board will accept findings of this special comm.

Am. Beet Sugar.—*Raw Sugar has adv. to a higher price than at any time since 1905, the result of protracted drought in Germany and Austria and prospective cutting down of European sugar crop by 1,000,000 tons, to an est. total of 7,000,000 tons. Co. has been taking advan. of the advance in raws to 5c. comp. with but 3½c. in Jan., and it is underst. has sold ahead a total of 750,000 bags of sugar. This is equiv. to 75,000,000 lbs. and is close to 70% of the anticipated 1911 prod. These forward sales have been made up to middle of Nov. and insure to the Co. a very handsome incr. in profits over 1910. An incr. of ½c. a lb. means add. of about $750,000 per an. to earngs. of Co., and would make showing on the com. betw. 14% and 15%. Last yr. it showed almost 11% on com., and 7.31% for yr. end. March 31, 1910. From the pulp drying branch Co. will make approx. $20,000, and yrly. inc. from this source is expected to total $150,000 when all factories are equipped with pulp drying facilities.—§Co. decl. reg. quar. div. of 1½% on pfd. stk., pay. Oct. 2 to stk. of record Sept. 20.

Am. Can.—†Business of Co. is normal, although not quite up to yr. ago. In last fis. yr., gross earngs. were $3,456,500, while at present time it is running close to $3,000,000. The div. bal. in last fis. yr. amted. to 6.84% on the pfd. This fis. yr. will not show any material change with business at its present rate, or chges. for depre. much heavier. The pfd. stk. is 7% cumu., and 5% divs. have been paid since 1904. Accumu. unpaid divs. now amt. to about 31%.—§Co. has decl. the regular quar. div. of 1¼% on pfd. stk., pay. Oct. 2 to holders of record Sept. 15.

Allis Chalmers.—*It is doubtful if same depre. chgs. as in 1910, when nearly $1,400,000 was allowed for this purpose, can be made this yr. if the int. of $600,000 is to be shown as fully earned. In 1910 yr. Co. had the largest bal. of net prof. in its history. The contrast with 1911, one of the poorest years Corp. ever had, will be painful. Co. has accomplished one highly creditable result this last 12 mos., the elimination of the Whiteside managemt. which is admitted to have been the chief cause of Co.'s present position with over 50% accrued on the $16,000,000 pfd. The new managemt. is able, conserv. and resourceful and if given time

and a decent vol. of business can in a few yrs. put Co. in position to arrange for ult. stk. reorg. which is reasonably certain. The pfd. selling around 17 comp. with high last yr. of 54¾ and high this yr. of 34 is one of few stks. which sells so low and still has at least $100 in assets for each sh. of stk. There is plenty of property—too much in fact—but the problem is to get business enough to keep the immense plants in oper., which are now under 50%.

Am. Cotton Oil.—*The yr. end. Aug. 31, 1910, was proper., resulting in a bal. of 6.78% on the com. During yr. just closing, however, the Co. has been the victim of drop of about 33% in price of lard, which influences price of its own prod., as the price of oil dropped corres. Am. Cotton Oil com. has discounted the poor business by a drop of about 10 points since Feb.

Am. Car & Foundry.—*Within next 18 mos. it is prob. that work will start at Gary, giving Co. another immense steel car plant. All of this work will be paid for out of earngs. Co. has been able to utilize reg. $1,500,000 to $2,000,000 of surp. earngs. yrly. for last five or six yrs. which has made it poss. for Co. to grad. re-equip itself to prod. steel cars instead of wooden. When Co. was organ. 12 yrs. ago 75% of car cons. was wood. Today 75% is steel. All of this radical re-equipmt. of plant has been paid for from earngs. No figure of ult. cost of new Gary plant can be establ. It may be $5,000,000 but certainly not $10,000,000. —*What lends this stk. its strength, is the enormous surp. of $24,737,345, for Co.'s com. stk. issue amts. to only $30,000,000. This surp. is equal to 82% of the com. stk. No other indust., whose stk. is listed, shows such a surp. comp. with capitalization.—§Co. has decl. regular quar. divs. of 1¾% on pfd. and ½% on com. stk., both payable Oct. 2 to stk. of record of Sept. 11. (See St. Louis & San Fran.)

Am. Linseed.—§Co. reports for yr. end. July 31 last net profits of 434,611, equal to 2.6% earned on $16,350 pfd. stk. comp. with 4.3% earned on same stk. last yr.

Am. Locomotive.—§Co. decl. regular quar. div. of 1¾% on pfd. stk., pay. Oct. 21 to holders of record Sept. 21. Books will be closed Sept. 21 and reopen. Oct. 21. Co. reports for yr. end. June 30, 1911, gross $40,-649,385, incr. $8,445,993; net $4,122,870. incr. $1,524,921; surp. for divs. $3,565,562, incr. $1,480,804; div. bal. $1,815,562 equal to 7.26% on $25,000,000 com. stk. comp. with 1.34% on same stk. last yr. During last ten yrs. Co. has expend for maint., up-keep, etc., $11,256,787, all of which has been chged. against inc.

Am. Smelting & Ref.—†All Mexican plants of the Co. and Smelters Securities Co., with exception of Chihuahua, are now oper. at normal cap.—*It is announced at offices of the Smelting & Ref. Co. that the Tiro General Mines, State of San Luis Potosi, and Central Potosi R. R., 8 miles long, which connects mines with the National rys. of Mexico, has been acquired by the Co. It is stated that the consid. was $800,000 gold.—†Taking over the Ray Consol. smelter by Am. Smelting & Ref. is very far sighted, as it gives them a foothold in Arizona, now the greatest copper prod. state in the Union, passing Mich. and Montana. —§Co. decl. reg. quar. divs. of 1% on com. stk. and 1¾% on pfd. stk. Pfd. is pay. Oct. 2 to stk. of record Sept. 13. Com. pay. Oct. 16 to stk. of record Sept. 27.

Atchison.—†Upon issuance of $100,000,000 conv. bonds to be auth., Atch. will have issued nearly $250,000,000. A consid. part of prev. issues have already been conv. into stk., but the bal. unconv., plus present stk. issue will, together with new issue, make total outst. and prospective com. stk. nearly $350,000,000. In add., Co. has $114,000,000 pfd. outst., making total stk. outst. and held in reserve for conv. of bonds over $460,000,000.—*Atch. was the only stk. out of 15 that had not made a new low record for the yr. Its July earngs. showed gross incr. of $105 and net loss of $562,372.

Atlantic Coast Line.—§Earngs. for July gross $2,255,015, incr. $106,950; net $490,541, incr. $23,125. Co. has decl. the regular quar. div. of 2½%, payable Sept. 9. Books close Aug. 29 and reopen Sept. 9.

Am. Woolen.—§Co. decl. the regular quar. div. of 1¾% on the pfd., payable Oct. 16, 1911, to stkholders of record Sept. 22, 1911. This is the 50th consecutive quar. div. dec. on the pfd., equiv. to $87.50 per sh. paid to original holders, making aggre. divs. $23,800,000, which exceeds original issue of pfd. stk. by $3,800,000.

Am. Writing Paper.—§Co. decl. regular semi-an. pfd. div. of $1 per share, pay. Oct. 2 to stk. of record Sept. 1.

Baltimore & Ohio.—§Statemt. of earngs. and expen. (excl. of outside oper.) for July, 1911, as comp. with July, 1910, shows, gross earngs., 1911, $7,321,157; 1910, $7,547,733; decr., $226,576. Expen., 1911, $5,075,458; 1910, $5,423,890; decr., $348,432. Net earngs., 1911, $2,245,699; 1910, $2,123,843; incr., $121,856. —†Co.'s figures show that business in July was only 3% under yr. ago, and over 3% ahead of July, 1910, and nearly 20% ahead of July of 1909 fis. yr. This is a more favor. comp. than was made in pre. mos. It is said by int. connected with B. & O. that even though gross earngs. show a mat. falling off within next few mos., the road will still be in position to maint. 6% divs. on the com. stk.

Bethlehem Steel.—*The Corp. has not felt the lull in steel business to any extent. It is oper. 85% of capacity, about same as a mo. ago. It is receiving new orders at rate close to tonnage being shipped, which is better than maj. of steel Cos. are doing. The rail mill has suff. orders booked to insure steady oper. for two or three mos. Last yr. Co. earned approx. 14% for its pfd. The showing this yr. is expected to be well up to 1910, and if present oper. can be maint. for rest of yr. it is likely that more than 14% will be shown. Pres. Schwab expects to have most of new const. compl. with closing of this yr. Mr. Schwab owns 56,871 of the 149,000 pfd. outst., or 38%.

Based on showing last yr. he could have easily decl. a div., thus securing an inc. upon his large investmt.

Boston & Maine.—†In annual report of Co. for 1911 fis. yr., just issued, net corporate inc. shows a decr. of $2,494,633. Pres. Mellen states that had Co. been able to maint. same scale of wages as in 1910, net for divs. would have incrd. $2,468,457. It appears, therefore, that recent incr. in wages on the B. & M. must have cost the road upward of $5,000,000, a side-light on incrd. cost of labor.—§Earngs. for July gross $3,817,240, incr. $66,010; net $776,-463, decr. $232,733.

Brooklyn Union Gas.—§Co. decl. reg. quar. div. of 1½%, pay. Oct. 2 to stk. of record Sept. 16.

Brooklyn Rap. Transit.—§Co. has decl. the regular quar. div. of 1¼%, payable Oct. 1 to stk. of record Sept. 9.

Canadian Pacific.—†The surp. of $26,-700.000 shown to be appl. to divs. is not actual, as it does not incl. special inc. from int. on land sales and from other extraneous assets which amted to $6,602,200, and which brings actual surp. earned up to $33,329,000. After ded. pfd. div. requiremts. this is equal to 17.3% on the $180,000,000 com. stk.—§Co. has decl. the usual semi-an. div. of 2% on pfd. stk. and the usual quar. div. of 2½% on the com. for the quar. end. June 30 last. Earngs. for July gross $9,661,818, incr. $802,604; net $3,703,028, incr. $218,408.

Central Leather.—§Co. has decl. the regular quar. div. of 1¾% on pfd. stk., payable Oct. 2 to stk. of record Sept. 11.

Central of N. J.—§Earngs. for June, gross $2,239,868, incr. $152,669; net $1,179,300, incr. $711,633, and for July, gross $2,024,392, incr. $169,594; net $836,413, incr. $146,015.

Central of Georgia.—§Co. hos decl. for fis. yr. end. June 30 last, the full int. of 5% on both first and second inc. bonds and a div. of 1.458% on its third inc. bonds, all payable Oct. 1. These disbursemts. call for $608,320. Earngs. for June, gross $889,826, incr. $28,251; net $165,956, incr. $70,979, and for July, gross $978,127, decr. $29,891; net $194,126, decr. $70,954.

Chgo., Burl. & Quincy.—§Co. reports to Inter. Comm. Com. earngs. for June, gross $6,987,389; decr. $113,084; net $1,398,740, incr. $279,603, and for July, gross $7,042,050, decr. $45,520; net $7,177,203, incr. $392,446. Co. has decl. the regular quar. div. of $2 a share, payable Sept. 25 to holders of record Sept. 19.

Chgo. & Eastern Illinois.—*For yr. end. June 30, 1911, after paymt. of 6% in divs. on the pfd amting. to $529,842. Co. had a bal. of $714,498, or 9.9% on the com. stk., comp. with $645,948 and 8.9% in pre. yr. During the yr. 9½% in divs. was decl. on the com. against 8% in fis. yr. 1910. St. Louis & San Fran. as owner of the outst. $7,217,800 com. received $685,691 last yr. comp. with $577,424 in 1910. From the $6,211,700 pfd. stk. 'Frisco received $372,702, making total receipts of $1,058,393. Divs. on trust certif. of Chgo & E. Ill. aggre. approx. $1,000,000 leaving net addition to 'Frisco's inc. of $58,393. In 1910 there was a charge on this acct. of about $50,000.

Chgo. & Northwestern.—*The Co. rounded out 1910 with surp. of approx. $11,-808,890, equiv. to 7.7% on the $152,512,784 outst. pfd. and com. issues. After meeting pfd. div. requiremts., surp. for the com. amted to $10,017,281, equal to 7.69% on the $130,117,664 outst. The bal. after paymt. of com. div. was about $1,000,000.—§Co. decl. reg. quar. divs. of 2% on the pfd. and 1¾% on the com. stk. pay. Oct. 2 to stk. of record Sept. 1.

Chesapeake & Ohio.—†A condensed inc. acct. just put out by Co. shows that bal. after chgs., int., etc., avail. for divs. amted. to $3,-228,284. Div. requiremts. $3,139,915, which leaves a surp. of $88,369. In view of fact that business in the 1911 fis. yr. was the largest ever handled by Co. and that it showed an incr. of $1,346,342 over 1910, the large loss in surp. earngs. is partic. disappointing. Amt. avail. for divs. was equal to 5.14% on the $62,798,300 stk. outst., comp. with 10.20% for 1910. The margin over div. requiremts. for 1911 was exceedingly slim.—†Co. decl. the regular quar. div. of 1¼%, pay. Sept. 30 to stk. of record Sept. 8.

Chgo., Mil. & St. Paul.—†The Puget Sound Ry., the Pac. Coast exten. of the St. Paul, have decl. a div. of 2.7% on the $100,-000,000 of stk. outst. As St. Paul owns all of the stk., Co. will be benefited by $2,700,000. It now becomes a certainty that the report of St. Paul for fis. yr. end. June 30 will show divs. earned. The brief inc. acct., issued early this mo., showed that the deficit after int. and div. requiremts. amted. to $3,294,213. The div. just decl. by the Puget Sound is made pay. June 30 last so that it will be incl. in the inc. acct. of the St. Paul as given by the an. report. —§The an. report of the St. Paul Ry. for the fis. yr. end. June 30 showed a surp. earned of $16,358,314. A yr.'s divs. of 7%, each on the pfd. and com. stk. required $16,230,000, leaving a narrow margin over its stk. needs. —§St. Paul earngs. for July gross $5,044,537, decr. $269,998; net $1,126,827, decr. $249,004, and Puget Sound, July gross $1,344,654, incr. $201,582; net $564,747, incr. $29,911.

Corn Products.—†Co. is grinding about 70,000 bushels of corn a day, as comp. with 100,000 in the early part of yr. Two mos. ago Co. was grinding about 80,000 bushels a day. Earngs. are underst. to be slightly under a yr. ago, but suff. to cover div. requiremts.

Colorado Southern.—*By cutting down oper. expen. below 70% of gross, against 75% a yr. ago, Co. was able in July to effect a $20,000 incr. in net when its gross fell off $186,000. Last week gross decr. $62,710, or nearly 20%. There has been no let-up to gross losses for 8 mos.

Crucible Steel.—§Co. has decl. usual quar. div. of 1¾% on the pfd. stk. pay. Sept. 30 to holders of record Sept. 30. Chairman states

that earngs. for fis. yr. were very satis., and will prob. show about 10% earned on pfd. stk. after deduct. $500,000 for depre. of plants, etc.

Delaware & Hudson.—§Co. reports for quar. end. Mar. 31 surp. after chges. $706,188, decr. $46,554.

Denver & Rio Grande.—§Co. reports for yr. end. June 30 last $23,391,771, decr. $171,-666; net $7,434,034, decr. $327,449 div. bal. $2,363,044 equal to 4.74% on pfd. stk. as comp. with 5.8% on same stk. last yr. July gross $1,977,616, decr. $72,110; net $516,822; decr. $183,816.—*During yr. Denver adv. to W. Pac. $1,650,000, of which $1,248,000 was for bond int. and $402,000 for const. In addition spent $2,215,000 for additions and bettermts. and $1,084,000 for new equipmt., a total of $3,299,708. Total adv. to June 30, to W. Pac. amt. to $6,256,551, and incl. $2,402,844 accrued int. on W. Pac. 2d mtg. bonds owned by Denver, for the purch. of which Denver issued its own int-bearing oblig. Notwithst. these heavy adv. and expend. Denver closed yr. without floating debt, and unpaid vouchers at close of yr. were those for June, pay. in usual course during July. Co. had $3,185,000 cash for cur. needs, not incl. of $1,085,000 set aside in special fund from sales of first and ref. bonds. Cur. liab. aggre. $4,685,000 and cur. assets $5,038,000. The latter, however, does not incl. $1,215,000 repre. val. of supplies on hand. Est. gross of W. Pac. for Aug. is $495,000. Actual gross for July was $422,000. and net before taxes totaled betw. $100,000 and $115,000.

Erie.—§Co. reports for yr. end. June 30 gross $56,649,908, incr. $1,783,718 total net inc. $20,345,669, incr. $211,031 surp. after chgs., appro. for bettermts., etc., $4,050,674, decr. $1,018,781.—†By showing incr. of $224,343 or 4.8% in gross in July, the first mo. of new fis. yr. and an incr. of $119,476 in net, Erie furnished a very pleasant surprise. Pres. Underwood had stated that business was ahead of a yr. ago, but it was not gen. thought incr. would be so large, or that it would comp. so favor. with the incr. of the best prev. mos. The full effects of higher wage scale and reduct. in rates are now being felt and that the Co. was able to overcome these obstacles to lower oper. cost speaks for the efficiency of oper. dep. At end of Aug., 1910, Erie occupied 6th place in point of anthracite tonnage handled, but at end of last mo. it had passed the Jersey Cen. and Penn. and now occupies 4th place.—*Co. ann. that contracts had been let to various car building Cos. for 1,000 steel box cars, 1,000 steel coal cars, 1,000 steel gondola cars, and 1,000 steel hopper cars; 500 flat cars will be built in the Erie shops and contracts for 500 more will be let in a short time; 40 pass. cars will be built, but contracts not let for a few days yet. Co. has also arranged for const. of 40 locom. with various builders and expects to build 20 in its own shops.

Federal Mining & Smelting.—§Co. has decl. regular quar. div. of 1¾% on pfd. stk., payable Sept. 15 to stk. of record Aug. 26.—† Co. is on a 7% pfd. div. basis which rate has been maint. since 1904. Divs. on the com., which in 1907 amted. to 17%, fell to 1½% in 1909, since which time no disbursemts. have been made. Co. has to its credit an excellent div. record, having paid in past 8 yrs. more than $6,500,000 on pfd. and over $2,800,000 on the com. The results for 1911 are encour. and outlook better than for some time. Co., however, has been deple. ore reserves in its mines, and would greatly strengthen its pos. by acqui. of new prop.

General Electric.—§Co. has decl. reg. quar. div. of 2% pay. Oct. 14 to stk. of record Sept. 20.—*Last yr. gross sales totalled $71,500,000, which means that Co. orders* for 1911 will total betw. $66,500,000 and $67,000,000. On basis of last yr.'s returns the div. will be earned with fairly liberal bal. to spare this yr. The present total capacity of all plants of the Co. is underst. to be $88,000,000 or $90,000,000 per an.

Great Northern Ore.—*Although the Steel Corp. took prac. no ore from its Great Nor. fields during 1907, 1908, and 1909, it was req. to pay royalties in 1907 on min. amt. of 750 000 tons, 1,500,000 in 1908 and 2,250,000 in 1909. In 1910 the Corp. removed 2,000,000 tons, and was compelled to pay on 3,000,000, leaving a def. on 1,000,000 tons not removed. Accordg. to contract, min. to be removed and paid royalties on during 1907 was 750,000 tons, this to be incr. by 750,000 tons each yr. during lease. Trustees of G. N. Ore certif. have paid out $6,750,000 to holders since 1907. In 1907, 1908 and 1909, $1 per yr. was paid; in 1910, $1.50; and in March, 1911, 50 cents was paid. Last yr., the Steel Corp. paid to G. N. $2,865,-000, equal to $1.98 per sh. In 1915, the last yr. in which present lease has to run, paymt. will amt. to $7,573,500, or $5.07 a sh. There have been whispers of late, however, that the theory upon which val. of ore certif. has almost universally been computed, is somewhat fallacious. This is because the ore has not graded up to the 59% upon which the orig. price to the Steel Corp. of 85c. per ton was based.

Great Northern.—*G. N.'s fis. yr. to June 30 showed a loss in gross rev. of 4.9%, the total for 12 mos. being $61,234,191 comp. with $64,446,817 for 1910. The decr. in rev. was about evenly divided betw. freight and pass. earngs. Lower oper. expen. partially offset smaller earngs. and the bulk of saving was effected by cutting maint. of way chgs. In this item over $2,000,000 was taken off last yr.'s fig., and the only other red. was the small one of approx. $19,000 in transp. costs. In July and Aug., 1910, when business incr., oper. expen. likewise incr. and in those two mos. alone it cost about $1,000,000 more to run the road than in prev. yr. Maint. of equipmt. cost $178,000 more in yr. just end., the difference being a little over 2%. Oper. ratio for 1911 was 61.4% comp. with 60.9%. Est. "other inc." at $1,300,000 and ded. int. chge. requiremts., G. N. should have about $16,300,000 for dis., which is equal to about 7.76% on the $209,-981,500 stk. There is a poss. that the an.

report will show a consid. difference in "other inc." from amt. est. For 1910 Co. lost almost $2,500,000 in this item comp. with 1909. The total "other inc." for 1910 was $1,256,820.—§ Earngs. for July gross $5,745,918, decr. $46,-543; net $2,254,870, incr. $453,328.

Harriman Lines.—§Union Pac. earngs. for July gross $7,328,350, decr. $588,305; net $3,022,216 decr. $362,980. So. Pac. earngs. for July gross $10,871,887, decr. $343,384, net $3,454,337 decr. $343,124.

Hocking Valley.—§Earngs. for June, gross $583,570 decr. $145,681 net $295,739 decr. $62,238 and for July gross $604,458, decr. $55,734; net $213,092, decr. $43,079.

Illinois Central.—§Earngs. for July, gross $5,128,212, incr. $323,421, July net $885,399, decr. $69,114.

Iowa Central.—*That this struggling R. R. has earned in its last fis. yr. $723,439 net, against $669,415 in 1910 and $454,871 in 1909, is certainly encouraging for holders of the 4% ref. bonds, on which the full int. was not earned in pre. fis. yr. As the "other inc." has fallen off, it is still doubtful whether the final bal. for fis. yr will show the full fixed chgs. on the 4% bonds earned. (See Minn. & St. Louis.)

Interborough.—*The action of Inter. Rapid Transit increasing quar. rate from 2¼ to 2½%, not only puts the $35,000,000 stk. on a 10% basis, the only traction system in the country able to pay such a div., but because the intimation is that this rate is to be maintained. The 1% add. div. will give Inter. Met. Co. an incr. inc. of $340,000 per yr. Pres. Shonts in an official statemt. decl. that the inc. received from this extra div. will be utilized to create a sinking fund for redemp. of $67,825,600 4½% bonds issued in 1906 in the ratio of $200 of bonds for $100 of stk. to acquire the Rapid Tran. Co.'s stk. In view of fact that Inter-Met. has not been earning its int. chgs. by about $250,000 yrly. for last two yrs. The extra $340,000 would just about meet int. chgs. on $6,500,000 6% notes issued during 1910 fis. yr.

Inter. & Great Northern.—§Earngs. for June, gross $651,975, incr. $8,548. Net $53,821, incr. $43,672.

Inter. Paper.—*Gross sales for 12 mos. were $23,095,746, an incr. of $3,546,716 or 18.1% over prev. yr. and comp. with a prev. high of $21,841,486 in yr. to June 30, 1907. Co. actually earned 7½% on its $22,406,700 in its late yr. It did not show this bal. as $484,760 was chged. to depre. of mill plants contrasted with nothing so chged. yr. before. This is a new note of conserv. and offsetting cur. criticism that Co. carries its fixed assets at an excessive book val. Bal. for the pfd. of $1,186,256 actually shown was equal to 5.3%, so that allowance for depre. meant more than 2% from the actual bal. Until this yr. Co. had its subsid. borrow in their own name and in many cases guar. their paper. All this is done away with. Some $6,000,000 of such contingent liabil. were assumed in 1910-11 by parent Co. There has been an actual decr. of $3,500,000 in floating debt during yr., repre. in large part by use of wood and pulp bought and stored prior to export tax going into effect in Canada two yrs. ago.—§Co. reports for fis. yr. end. June 30 last surp. after pfd. divs. $738,-122, against $568,931 in 1910, incr. $169,190. The total surp. June 30 last $8,838,104, against $8,099,982, 1910 incr. $738,122.

Inter. Rubber.—§Co. decl. reg. quar. div. of 1¾% on pfd. stk., pay. Sept. 30 to stk. of record Sept. 20.

Inter Steam Pump.—§Net profits of Co. for quar. end. June 30 were $570,459, a decr. of $46,415. After allowing for depre., int. chgs. and div. on the pfd., together with the reserve for sinking fund, there was a surp. left of $32,793, a decr. of $56,545. Orders taken during the 3 mos. end. June 30 were 15% greater than bookings for same period last yr.

Kansas City Southern.—§Earngs. for July, gross $751,089, decr. $86,888; net $197,804, decr. $69,651.

Lehigh Valley.—†There is good auth. for statemt. that an. report for 1911 fis. yr. will show div. surp. equal to approx. 13% on the $60,000,000 stk. outst. This is exclu. of earngs. of the Lehigh Valley Coal Co. whose net earngs. in past yr. were equal to about 2% on outst. stk. of the R. R. Co.—*With margin of 3% over div. requiremts., there would appear to be no necessity of a red. in div. rate, partic. in view of the Co. being very strong in cash as result of sale of $20,000,000 additional stk. during the yr. Co.'s claim attorneys state that the train wreck recently will prob. cost the Co. $750,000.—§Earngs. for July, gross $3,-091,656, incr. $215,375; net $974,255, incr. $133,760.

Mackay Cos.—§Cos. have decl. the reg. quar. divs. of 1% on the pfd. stk. and 1¼% on the com. stk., payable Oct. 2 to holders of record Sept. 9.

Minneapolis & St. Louis.—*This Hawley road closed yr. with total net inc. of $1,409,016, which was $43,809 more than in pre. yr. This road's position has been strengthened by passing the 5% div.—*With fulfilmt. of plans which Edwjn Hawley and Newman Erb have outlined there will have been estab. the shortest R. R. haul from Winnipeg to Gulf of Mexico through the Minn. & St. Louis R. R. Minn. & St. L. will event. merge into itself the Iowa Cen., which is controlled by same int. As the latter has an Ill. charter, however, the road must first be leased by Minn. & St. L. as prov. by the state laws, after which an actual merger may take place. The possessor of val. term. prop. in Minneapolis, the Minn. & St. L. has for tenants in that city Nor. Pac., St. Paul, Omaha, Great Nor. and Rock Isl. roads. Traffic arrangemts. with the Canadian Nor., when effected, will make that city still more important and furnish Am. outlet for the Canadian Co.

Minn., St. Paul & S. Ste. Marie.—§Earngs.

for July, gross $1,381,591, incr. $89,935; net $449,644, incr. $47,806. Chgo. Div., July, gross $775,095, decr. $31,566; net $191,082, decr. $69,984. Co. decl. regular semi-an. div of 3½% on com. and 3½% on pfd. stks., payable Oct. 16, books close Sept. 22.

Missouri, Kan. & Texas.—§Earngs. for July, gross $2,154,663, incr. $14,183; net $229,-495, decr. $110,064.—*Co. has found that 245 new manuf. plants were started on its system during past fis. yr. These represent capital investmt. of $4,573,676. Co. earned 1.9% on its com. stk. in last fis. yr., or $1,253,706 on $63,283,257 outst. The pfd. divs. amt. to $520,000.

National En. & Stamping.—*Co.'s yr. end. June 30 brought an incr. in gross $44,838, and an adv. in net of $71,698. The surp. for yr., however, fell away $92,476, while total surp. was ad. $63,157. The total surp. and reserve was given in an. report as $3,278,301, an incr. of $285,157.

N. Y. Central.—§Earngs. for July, gross $8,814,285, incr. $586,706, net $2,424,830, incr. $639,719. Co. has decl. the usual quar. div. of 1¼% payable Oct. 16 to holders of record Sept. 21.

N. Y., New Haven & Hart.—§Co. reports for quar. end. June 30 gross $15,907,891, incr. $9,093, net $5,028,457, incr. $272,678. Surp. after chgs. $6,152,706, incr. $1,518,514 The directors are no better pleased with the outlook than those of other R. R. prop., but it can be stated emphatically that there is no present danger of any red. in the New Haven disb. For yr. end. June 30 the road will show 8% div. earned within a very small margin. Poss. a slight surp. will be shown as the subsid. treas. shall make paymts. to parent Co. The New Haven system, not incl., of course, Boston & Maine and its affiliated lines, showed a distrib. surp. over and above all chgs., for the yr. end. June 30 equal to 9% on N. H. stk. Of course all earngs. of trolley lines will not be paid out in divs. The N. H. stkholders therefore have a very important equity in undistrib. earngs. of the contrib. lines.

N. Y., Ont. & Western.—§Earngs. for July, gross $932,512, incr. $8,943, net $312,-053, decr. $75,351, surplus after chgs. $210,-772, decr. $70,011.

Northern Pacific.—*The road is earng. about 1% above div. requiremts. according to its own exhibit. If, however, certain little known equities were figured in, the div. bal. would be over 8%. The statemt. may be explicitly made that directors are confident that unless depression runs consid. beyond present depth, the 7% div. will be earned and paid. Co. has the most difficult yr. ahead of it, but has had 7 good yrs., and one or two lean ones, which can be easily handled, prov. a further decl. in gross and net below 1911 fis. yr.'s record does not take place. N. P. will handle this yr. within 8% of a normal yr.'s grain tonnage. This means about 55,000,000 bushels of grain, an incr. of, say, 17,000,000 over last yr. Aug. results have been decidedly encouraging. Pass. business has also shown revival. —§Earngs. for July, gross $5,232,852, decr. $1,014,484, net $1,683,390, decr. $585,796.

Norfolk & Western.—§Co. Reports for yr. ended June 30 last, gross $35,557,522, incr. $493,652, net $12,599,242, decr. $1,417,-868, bal. for div. $4,995,270, decr., $336,297, total surp. $6,150,997, incr. $434,587.—†In July, the first mo. of new fis. yr., gross earngs. amted. to $3,053,700, an incr. of 4.7% over July yr. ago. Net incr. more than 11% and surp. avail. for divs. incrd. 23.7%.

Pacific Coast.—§Earngs. for July, gross $724,461, decr. $91,143, net $123,835, decr. $72,865.

Pacific Tel. & Tel.—*The Co. has auth. to issue $32,000,000 cumu. pfd. 6% stk. and $18,000,000 of this is outst. So much capital to meet growth is being called for that the Co. may decide to issue some, if not all, of the $14,000,000 pfd. stk. still in the treas. and if this is done the com. stk. will not be so favor. situated as regards divs. as would seem to be indic. by the upward trend of earngs.

Pennsylvania.—*The Aug. div. will be paid on 9,019,411 shs. of par val. of $450,-974,050, and cash required is $6,764,760. Shareholders who will participate are 69,760. The largely incrd. figures are due to the $40,000,000 issue of new stk., of which no less than 92% was paid in full. This is the largest propor. of full paid subscrip. ever reported by Penn. That Co. has been able to place a large issue so successfully in period of depression indic. a reserve of strength not suspected. The first six mos. of the cal. yr. have brought this road a loss of $2,494,955 in net. Even if the second half of 1911 should show a further loss of like size, there will prob. still remain a surp. of about $8,000,000 after paymt. of the 6% div. on the incr. stk. capital.—§Earngs. for July, gross $19,366,-410, decr. $317,427, net $4,823,917, decr. $222,025.

Pere Marquette.—§Earngs. for June, gross $1,342,713, incr. $43,121, net $270,862, decr. $81,975 and for July, gross $1,360,877, decr. $11,633, net $328,923, decr. $49,196.

Pressed Steel Car.—*The Penn. R. R. has awarded contract for 750 steel freight cars to this Co.

Railway Steel Spring.—§Co. decl. reg. quar. div. of 1¾% on the pfd. stk. pay. Sept. 20.—*It is learned that the Co. has purch. the plant and prop. of the Interocean Steel Co., of Chgo., manuf. of steel car wheel and rims. It is underst. that the Railway Steel Spring Co. has prov. for an issue of $3,500,000 bonds to pay for the plant.

Reading.—§Earngs. of Reading system for July, net $1,056,979, decr. $64,160, surp. $188,729, decr. $33,749.

Republic Steel.—*Consid. depressed steel market, Co. made a remarkable showing for yr. end. June 30. Gross business of $24,071,771, comp. with $28,296,265 in 1910. the second best Co. has experienced. 1907 was the banner yr. During past 12 yrs. Republic has failed to earn div. but 3 times, and has earned an avge. of more than 10%; it has expended approx. $17,000,000 in divs. and more than $21,000,000 for const. —§Co. decl. reg. quar. div. of 1¾% on pfd. stk. pay. Oct. 2.

Rock Island.—§Rock Isl. earngs. for June, gross $5,070,757, decr. $240,181, net after taxes $870,985, decr. $236,300. Chgo., Rock Isl. & Pacific Ry. has decl. the reg. quar. div. of 1¼%, payable Sept. 30 to stk. of record Sept. 15.

Seaboard Air Line.—*Of the net profits of $1,829,180 in past yr., the "Seaboard Co." is entitled by its ownership of $21,324,600 of pfd. and $29,576,800 com. of the oper. Co. to $1,533,250. This Co. will pay the full 5% on 1st pfd. stk. and leave a bal. equal to 7.6% on the $15,993,650 2d pfd. And this is in addition to int. on the block of inc. bonds held by the Seabord Co., which is enough to pro. for the 1st div. which has been paid since stk. became cumu. July, 1910.—§Earngs. for July, gross, $1,636,165, incr. $133,920, net $392,652, inc. $61,677.

Sears Roebuck & Co.—§Co. decl. reg. quar. div. of 1¾% on pfd. stk. pay. Oct. 1 to stk. of record Sept. 15.

Sloss-Sheffield.—*Within several weeks Co. has disposed of more than 70,000 tons of pig iron. Margin of profit was comp. small, as most was sold on basis of $10 a ton. Sloss now has about 112,000 tons of iron stacked in its yards, a decr. of 13,000 tons, comp. with the high of this yr. So far in cur. fis. yr., which ends Nov. 30 next, Co. has barely earned its pfd. div. However, there is no intention on part of directors to take adverse action on this div., and unless there is further shrinkage in the iron indust. the present 7% rate will be maint.—§Co. decl. regular quart. div. of 1¾% on pfd. stk, pay. Oct. 1 to stk. of record Sept. 22.

Southern Pacific.—(See Harriman Lines.)

Southern Railway.—†The July statemt. of earngs. shows that business handled in that mo. was slightly ahead of corresp. mo. of a yr. ago, and, owing to improvemt. in oper. efficiency, net earngs. amted. to $1,314,400, an incr. of $83,370 over best prev. record for July. It is expected that because of bright outlook gross and net will contin. to incr.

St. Louis & San Fran.—*Gross for yr. end. June 30 showed $43,159,227, against $41,165,989 in 1910. Five yrs. ago gross totaled only $32,046,657, adv. of more than $11,000,000. Net after taxes, $12,027,000, exceeds prev. yr. by almost $1,000,000. Miscel. inc. suffered slight reduction, and int. chgs. incr. about $600,000. Approx. $1,500,000, or a little less will remain for stk. Divs. decl. in 1911 were only the 4% on the first pfd., requiring less than $200,000. Of the $1,300,000 bal. there will need to be deducted some $600,000 as propor. for 1911 discount on sec. sold and $200,000 to $500,000 depre. in val. of equipmt. destroyed. In oper. expen. 'Frisco did well. On inc. in gross of $1,993,288, or 4.85%, expen. were adv. $645,558, or 2.25%. Oper. ratio was 67.9% in 1911, against 69.7% in 1910. Deducting $200,000 for 1st pfd. div. and allowing 4% on 2d pfd., on which no div. has been decl., Co. earned approx. $700,000, or 2.42%, for its $29,000,000 com. stk. The $3,000,000 equipmt. notes sold are secured by equipmt. val. at $3,300,000. Total equipmt. ordered incl. 2,500 refrig. cars, 51 pass. and 250 flat from Am. Car & F. Co., and 40 locom, half from Baldwin Works and half from Am. Locom.—§Earngs. for July, gross $3,274,863, decr. $68,800, net $846,277, decr. $816.—§The Co. has decl. regular quart. div. of 1½% on the Chgo. & E. Ill. pfd. stk. trust certif. Books close Sept. 16 and reopen Oct. 3. Co. has also decl. regular quart. div. of 1% on the Kansas City, Fort S. & Memphis pfd. stk. trust certif. Books close Sept. 16 and reopen Oct. 3. (See Chgo. & E. Ill.)

Texas Co.—*Co. has issued a bal. sheet as of June 30. The important differences betw. this and the one of a yr. ago are an incr. of $3,000,000, or 50%, in stks. of oil and an incr. in cash of $2,150,000, or 100%, over 1910. On the liabil. side are $15,000,000 deben. and notes issued during yr. The surp. of $1,602,994 is about 30% larger than a yr. ago.—§Co. decl. quar. div. of 1¼%, a reduction of 1¼% from the last quar. Div. is pay. Sept. 30 to stk. of record Sept. 21.

Toledo, St. L. & Western—Chigo. & Alton. —†Toledo has $10,000,000 pfd. stk. outst. and div. requiremts. amt. to $400,000 per an. In the fis. yr. end. June 30 last, road showed total net earngs. of $1,079,900. Chgs. in 1910 yr. amted. to $1,106,000, and in last fis. yr. they approx. that amt. It can, therefore, be seen that present earngs. do not warrant contin. div. Another reason why Co. will have difficulty in maint. div. is that Co. has been receivg. an inc. of $260,000 an. as holder of $6,480,000 Chgo. & Alton's pfd. stk., but in June directors of Alton suspended divs.—§Toledo earngs. for July, gross $335,525, incr. $107,183, net $85,596, decr. $7,554.—Alton earnings for July gross $1,314,901, incr. $133,909, net $407,-667, incr. $80,085.

Twin City Rap. Transit.—§Co. has decl. regular quar. div. of 1¾% on pfd. stk., payable Oct. 2 to stk. of record Sept. 15, and the regular quar. div. of 1½% on its com., payable Oct. 2 to stk. of record of Sept. 12.

U. S. Cast Iron Pipe.—*Directors deemed it advisable not to decl. any div. on the pfd. stk. of the Co. for quar. end. Aug. 31. The statement said that while earngs. for the quar. are estimated at more than suff. to have paid the div. of 1¼%, the management. has found it advisable to secure additional prop. and to improve plants to incr. oper. efficiency.

Union Bag & Paper.—*It is prob. that earngs. for 1911 will show little change from 1910, when bal. avail. for divs. was $609,245, or 5.54% on the $11,000,000 7% cumu. pfd. With earngs. running 5% to 6% on pfd., there is not only no prospect of back divs. being paid, but little hope for full yrly. paymts. on pfd. No change in present disbursemt. of 4% is expected. This means that divs. are accumu. at 3% per an., with over 15% already owing on the stk. The underlying reason for failure to earn div. requiremts., at least for pfd., is an adjustmt. on a lower basis in the trade, making margin of profit per unit smaller. This has made cond. more stable and reduced compet., but has not helped pay divs. on the liberal capital.—§Co. declared reg. quar. div. of 1% on pfd. stk., pay. Oct. 16 to stk. of record Sept. 30.

Union Pacific.—(See Harriman Lines.)

U. S. Rubber.—§Co. decl. reg. quar. divs. of 2% on the 1st pfd., and 1½% on the 2d pfd. stk. July 31 to stk. of record July 15.

U. S. Steel.—§Pres. Farrell stated that plants are prod. at 78% of cap. Daily bookings from Jan. 1 to Aug. 20 showed incr. of 7,750 tons over same period in 1910. Unfilled orders as of Aug. 1 amted. to 3,584,000 tons, an incr. over June 30 of 225,000 tons. Unfilled orders as of Aug. 31 were 3,695,985 tons against 3,584,085 on July 31, an incr. of 111,900 tons.—†At beginning of present mo. Co. was oper. at 77% of cap. At present time it is about 74%.—*Net earngs. for the third quar. will prob. reach $32,000,000; in July they were about $11,000,000. A showing of $32,000,000 would be larger than had been gen. expected in the trade, and would comp. with $36,365,187 in same quar. of 1910, $38,246,907 in 1909, and $27,106,274 in 1908.

Virginia-Caro. Chemical.—*It is underst. that one factor, which occasioned recent finan., when $2,000,000 pfd. stk. was sold at 115, at which price the new money cost Co. 7%, was the purch. last yr. of an enormous tract of phos. lands in Fla. This land was bought on the basis of being guar. to contain 30,000,000 tons of phos. rock. V.-Caro., like Am. Agri., is a large exporter of phos. rock to other countries. There is at times a profit of 75 cents to $1 per ton in export sales, but, of course, this figure does not allow for amortization of phos. rock prop. Nevada reports that traces of potash have been discov. near Tonopah in the salt marshes of R. R. Valley. The prospect. work will be contin. in an effort to locate commercial bodies of potash.—§Co. decl. reg. quar. pfd. div. of 2%, pay. Oct. 16 to stk. of record Sept. 30.

Vulcan Detinning.—*The pfd. stkholders. of this small Co., whose capital consists of $1,500,000 7% pfd. and $2,000,000 com. stks., have recd. information that the judgmt. for $667,352 in its favor and against the Am. Can Co. for infringing on its detinning patents has been appealed, as a larger verdict is expected from the higher court. Should this step not succeed, then, so the official statemt. says, the money as soon as collected, will be used to pay off the 21% back div. on the pfd. stk., which will require $315,000 and the bal. will go to improvemts.

Wabash.—*The 1910 fis. yr. showed a bal. of $545,719, after paymt. of fixed chgs. The fis. yr. just end., shows a decr. in net of $893,000. This indic. that not even fixed chgs. have been earned.—§Earngs. for June, gross $2,502,647, incr. $45,305, net $540,752, decr. $82,829.—*Co. sold $1,500,000 5% car trust notes with the proceeds of which there will be purch. about 1,000 box cars and 200 Hopper cars.—§Wabash gross earngs. for July were $2,446,000, an incr. of $102,000. Net earngs. were $607,000, showing an incr. of $28,800.

Western Maryland.—§Earngs. for June, gross $606,952, incr. $17,276, net $189,732, decr. $14,831.

Western Union.—*The quar. statemts. combined to show the yr.'s earngs., show that, comp. with 1910, net decrd. $169,542, and the bal. avail. for divs. decr. $215,100. The total surp. is now $10,114,359, an incr. of $2,380,666. These figures are nearly all the actual results of oper., though part of the last quarter's returns are est. (the quar. ending Sept. 30 next). For the quar. net rev. incr. $279,133 and the bal. avail. for divs. $278,133. Surp. for the quar., after divs., is given as $1,038,251, an incr. of $278,010. The div. rate is 3%, and the directors have decl. the usual quar. ¾ of 1%, pay. Oct. 16 to stk. of record Sept. 20.—†Under managemt. of Am. Tel. the Co. has made subst. gains. We are informed that gross earngs. show a steady incr. of about 10% per mo., or $3,500,000 per mo., or $42,000,000 per. yr., being a gain of nearly $10,000,000 since change of control.

Westinghouse.—*Co. recd. a very large order from the Boston Elev. R. R., it being the third large order rec. from that Co. during past 3 mos. Boston is equipping its elev. and sub. cars with new electrical apparatus. The Co. this summer has enjoyed the largest and most profitable business in electric fans in its history, having orders for more than 100,000. This partic. dept. of the Co. has been crowded to the limit of capacity all summer; in fact, being unable to turn out orders as fast as the call for

such appliances demanded. There has also been a very healthy demand for "general supplies." It is calculated that the entire business of the Co. is now running at rate of betw. 75% and 80% of the high water mark.

Wisconsin Central.—*The "Soo" secured this road by an exch. of the pfd. stk. for its own 4% guar. certifi. Net earngs. in last fis. yr. were only $1,807,538, against $2,-665,000 in pre. yr. It takes about $2,000,000 to meet the fixed chgs. The Soo has not earned on the Wis. Cen. the 4% which it has to pay for the $11,267,000 guar. certifi. issued for Wis. Cen. pfd. stk. of equal amt.

Mining Stocks

This section of the Investment Digest includes some of the more important properties, in regard to which authentic and trustworthy information has appeared during the month.

British Columbia.—†Co. has been prod. about 1,000,000 lbs. of copper per mo. at a 9c. cost, with net profits at rate of $420,000 a year, out of which it has been paying divs. of $300,000 a yr. or 50c. per sh. on 600,000 shs. The coal strike, however, has cost the Co. about $30,000 a mo., so that for two mos. Co. has been running about even and it was wisely decided to omit this quarter's div.

Calumet & Hecla.—§A quar. div. of $6 a sh. was decl., the rate being same as three mos. ago. Last yr. the rate was $7 a sh. The div. is payable Sept. 22.—*The est. prod. of refined copper of the Co. and its subsid. Cos. for mo. of Aug. totaled 11,374,064 lbs., comp. with 10,551,847 lbs. in July and 11,515,589 lbs. in June.

Calumet & Arizona.—†This Co. has decl. another regular quar. div. of $1 a sh. As a very large maj. of Sup. & Pitts. stk. has now been exch. for Cal. & Ariz., this involves paymt. of about $600,000, or at the rate of about $2,-500,000 a yr. As comb. prop. have been prod., so far this yr., at rate of about 50,000,000 lbs. per an., this would mean that in order to show this div. earned, their copper must have shown them a profit of 5c. a lb., or a cost of about 7½c. Conseq. this action may reasonably be consid. as confirming reports of devel. of very large bodies of high-grade ore in Sup. & Pitts.'s prop., and conseq. red. in cost as result of this and the benefits secured from the consol.

Copper Range.—§Co. has decl. a quar. div. of 75c. a sh., payable Oct. 2, to holders of record Sept. 9. Three mos. ago $1 a share was decl.

Crown Reserve.—§The Co. has decl. the regular mo. div. of 2% with the customary bonus of 3%, payable Sept. 15 to holders of record Aug. 31.

Goldfield Consol.—§Co. has decl. the usual quar. div. of 30c. and usual extra quar. div. of 20c. a sh., payable Oct. 31 to stkholders of record of Sept. 30.—†Incl. div. just decl. disbursemts to stkholders will exceed $18,000,-000. The first div. was paid Oct. 25, 1907. This is a wonderful record and it has given Co. the name of being the world's greatest gold mine.—*Co's. net yield from July oper. was $582,021, or $19.89 a ton, from a gross prod. of $848,429, or an avge. of $29 a ton. The net recovery from all ore was $27.42 a ton and total cost of prod. was $7.66.

Goldfield - Belmont. — *Despatches from Goldfield this morning state that Goldfield-Belmont is opening up richer ore in the stope on the 360-ft. level. The ledge is 4 ft. wide and 2 ft. of the ore avges. $200 a ton and the full 4 ft. avges. $90 a ton.

Granby.—†It is reported Co. will close down its smelter upon exhaustion of the supply of Eastern coke, which it recently purch. This was bought at a high price in the hope that it would tide Co. over until the miners' strike at the Crow's Nest Pass Coal Co. had been settled. This is still in force, however, and it is deemed better policy by managemt. to close down, than to attempt to run with an excessive fuel cost.

La Rose.—†Oper. prof. for July amted. to $105,121. Co. prod. 326,823 oz. silver, having a gross val. $171,836. Sundry inc. $1,045, bringing total inc. for mo. to $172,881. Total expen. were $67,760, showing oper. prof. as above. For the 7 mos. of 1911 end. July 31, total prod. amted. to 2,152,798 oz., having gross val. of $1,131,489. The total inc. for this period $1,-139,599. Deduct. market expen. and oper. expen. at mine $392,848 leaves oper. profit $746,-751. Profits have avged. for yr. $105,000 per mo. Stk. is on 8% div. basis which calls for $50,000 per mo. Co. is earng. more than double its div. req., and incr. surp., which is now more than $1,300,000.

McKinley-Darragh.—§Co. has decl. the regular quar. div. of 3% and an extra div. of 7%, payable Oct. 1 to holders of record Sept.

9. The record of divs. of Co. to date incl. the recent decl. will amt. to $2,110,000.

Mines Co. of America.—†At the Dolores and El Rayo during past few mos. there have been opened up add. ore bodies of good val. At the Creston-Col., a promising new vein has been encount. which should add largely to present tonnage. Devel. at La Dura mine have been partic. good for the vein has been encount. on a new low level 165 ft. deeper than prev. lowest working. Where intersected, the vein assayed $50 a ton. On the level directly above there is a contin. shoot opened for more than 1,200 ft. in length avging $35 per ton.

Quincy Mining.—§Co. decl. reg. quar. div. of $1 per sh. payable Sept. 25 to stk. of record Aug. 30.—*A director states that no fear need be entertained of a cut in present div. rate of $4 per an. unless there is a further decline in the price of metal to below 12c., which he considers unlikely. It req. $440,000 per an. to meet present div. requiremts. and this amt. will just about be earned in present cal. yr. At present it is costing the Co. 10¼c. to prod. its copper.

Superior & Boston—Arizona Coml.—*A plan for consol. these 2 Cos. and finan. the Consol. Co. by a $600,000 bond issue is announced. Under the plan the S. & B. will incr. auth. capital by 350,000 shs, par $10, making total stk 650,000 shs. Of this stk. 200,000 will be offered in exch. for the $1,000,000 bonds of Ariz. Com. A new bond of $600,000 will be issued, secured by first mtg. on all the Co.'s properties and offered at par to Ariz. Com. stkholders. Arrangemts have been made for underw. bond issue by Boston banking interests.

Tonopah.—†Co.'s ore res. est., made in Feb. amted. to 354,940 tons, avging $18.61 per ton having gross val. of $6,605,978 comp. with prev. yr.'s est. of 414,583 tons of $21.93 per ton on gross val. of $9,094,847. In add. to net val. in ore res. which amts. to $3,000,000, allowing for costs and losses, Co. carries a large cash surp. and has also been maint. earngs. in excess of div. requiremts. which call for $1,600,000 per an. Record shows having disb. approx. $7,500,000 in divs.

Tonopah-Belmont.—§Co. has decl. a div. of 25%, payable Oct. 2, to stkholders of record Sept. 15.—*The Co. reports net profits for Aug. at $153,607, against $149,170 in July.

Tuolumne.—*Co. has opened a very rich ore body about 18 ft. wide and richness seem to be well maint. Ore will run from 10% to 12% copper with good vals. in silver. The Co. is shipping to smelter 150 tons of ore a day, running between 7% and 8% copper. About first of mo. Co. expects to resume sinking its shaft to a depth of 2,800 ft.

Utah Copper-Nevada Consol.—†Utah Copper Co.'s July output was 7,555,407, as against 8,677,851 in 1910, while that of Nevada Con. was 5,258,582 as against 6,896,429. For last half-yr. output of Nevada Con. has been 31,764,000 lbs., as against 35,521,000, while even that of Utah Copper, which is normally a growing prop. and has not, by any means, reached the limit of its cap., was 46,612,000 as against 47,565,000. In other words, the comb. output from these two mines is nearly 5,000,000 lbs. less in last six mos. than in corres. period of 1910.—§Nevada Con. Co. decl. reg. quar. div. of 37½c. pay. Sept. 30 to stk. of record Sept. 12. Utah Copper decl. reg. quar. div. of 75c. pay. Sapt. 30 to stk. of record Sept. 15.—†The avge. of Nevada Con.'s 40,000,000 tons of ore is 1.7% copper or consid. higher than that treated during the last quar.

Wolverine.—§Co. has decl. a semi-an. div. of $4 a sh., a reduction of $1 from last paid. The div. is pay. Oct. 2 Books close Sept. 16 and re-open Oct. 2.

Wettlaufer Lorrain.—†The regular div. of 2½% with 2½% extra was decl. pay. Oct. 20 to stkholders of record Oct. 10. Co. is at present in better finan. cond. than ever, having $140,000 in cash and quick assets incl. ore in transit, etc. Co. is cap. at $1,416,590 par val. $1. The present quar. div. calls for approx. $71,000. This is the third div., each being of the same amt.

Yukon.—§Co. decl. regular quar. div. of 2%, pay. Sept. 30. Books close Sept. 12, re-open Oct. 2. The 1911 season at Yukon is the 4th since active oper. began. During this period Co.'s earngs. have shown a steady incr. In 1908 profits approx. $500,000; in 1909, $750,000; in 1910, $1,450,000 and this yr. should show incr. over last season. Co. is on an 8% div. basis or at rate of 40c. per sh. per an. With recently decl. disb. Co. will have paid stkholders a total of $3,120,610.

Copper Notes.—*The July copper prod. report was the most encouraging of any mo. this yr. Stks. on hand were decr. by 19,695,306 lbs. Prod. also showed a heavy decline, but July is always a dead mo., more or less, in mining. The puzzling part of report was exports during mo. of nearly 75,000,000 lbs. Copper is still being sent abroad for storage to make statistics. Since the high point touched in 1910 has been a depre. of $329,358,996 in the market val. of 39 of Boston's prominent copper stks.—†Statistics furnished by the gov. show that for first 6 mos. of 1911 copper exports to Holland and Germany aggre. over 190,000,000 lbs., which is more than one-quarter of this country's refining output for the period. It is notable that above figures are much larger than those for France and England comb., and shows the broadening use for this commodity in Germany, which now ranks second only to this country as a consumer of copper. Exports to Liverpool for Aug. promise to be large, to which port avge. mo. shipmts. of late have been betw. eight and nine million lbs.—† Exports for Aug. now give promise of being 60,000,000 lbs., while dom. deliv. may reach 55,000,000 lbs., a total of 115,000,000 lbs. which would indic. a poss. incr. of stks. for Aug. of 5,000,000 lbs. Prod. Asso. reports stks. on Sept. 1, 133,441,501 lbs., a decr. of 4,297,357 lbs., as comp. with Aug. 1. Aug. prod. 125,493,667, incr. 13,325,733; domestic deliv. 59,935,364, incr. 2,952,782; foreign deliv. 69,855,660, decr. 5,024,998.

INQUIRIES

WE DO NOT GIVE ADVICE OR OPINIONS UPON SECURITIES OR PROBABLE MARKET MOVEMENTS, EXCEPT AS MAY BE IMPLIED IN THE "MARKET OUTLOOK" OR THE "BARGAIN INDICATOR."

This department is to answer miscellaneous questions in regard to the science of investment, methods of operating, the customs of the markets, etc. Please write questions briefly and, if personal reply is desired enclose stamped and self-addressed envelope. Address INQUIRY DEPARTMENT.

Volumes.

Have been a reader of your magazine from the first issue and should like to ask you a question in regard to volumes. I receive two or three market letters each week and I notice that the total of sales given in these letters does not tally with the amount given in the daily papers from day to day. What is the cause of this difference and which is correct? How do the papers get their total for the day, and would all the papers throughout the United States have the same figures for the day, or would there be a difference? If you can inform me where I can obtain the exact figures you will very much oblige.—J. T.

The subject you refer to is one that sometimes causes students of the market considerable annoyance. The New York Stock Exchange does not give out any official record of sales, either for individual stocks or for the entire market. These totals are computed as the market progresses by the companies operating the tickers and also by the various newspapers, the Associated Press, etc. The evening papers have the total sales for each stock and for the whole market in type within a few minutes of the close, and they never agree exactly as to the numbers. In fact, some papers handle this work so hastily and carelessly that their figures are liable to be far astray.

The student of volumes soon learns to know about what to expect; that is, about what relation volumes of different stocks are likely to bear to each other, and will thus recognize any serious error as inherently unreasonable and will refer to other papers for the figures. Everything about the study of volumes is approximate anyway, so that small errors do not make much difference.

The New York *Evening Post* is probably as accurate as any evening paper. The *Evening Sun* makes occasional errors, as also does the *Wall Street Journal.* The Associated Press figures, which go to a large number of papers, are usually correct, but of course no publication can be safe against typographical errors.

There is a sheet published daily by F. E. Fitch, giving sales and quotations which is perhaps as near "official" as anything, but for practical purposes this is no better than the compilations of the *Post* or *Sun,* and of course is not issued as promptly after the market closes.

Base-Lines.

After reading the very interesting article in the September TICKER, entitled "The Stock Register," I find, after figuring out the base line for Reading, 1911 (register for signals, page 197), that it comes to a quotient of 74, which reaches to the 157 line. Now according to the rule set forth by the author, if the market price keeps above this line the next move should be up. Well, there are 71 above it and only 58 marks below it, yet the market went down. Will you please advise me how to decide about this particular case?—W. H.

The author of the article of "The Stock Register" defies "Base-Line" as "The line or price that seems to be equatorial in a bunch of fluctuations." The entire price movement for 1911 could hardly be called a "bunch of fluctuations." See September TICKER, page 198.

For example, on the Reading register (page 197, September), probably the second line from the top at right half of the diagram would be called a Base-Line. There are fifteen marks on this line, which would indicate, as we understand the method, that a movement of something like fifteen points will be likely to take place before a new Base-Line forms.

Of course you understand the author doesn't claim any mathematical accuracy about this plan, but it is near enough right in most cases to be useful. Our interpretation would show seven Base-Lines on the diagram, each of which was followed by a move of very nearly the distance that would be indicated by the Base-Line.

Stated more scientifically, the principle is that every pronounced swing is likely to be followed by a period of distribution or accumulation proportional to the length of the swing. The register merely affords a method of measurement.

Chicago Curb.

Will you kindly send me the name of a curb broker in Chicago whom you would consider reliable?—E. S.

There is no curb in Chicago, in the sense in which the term "curb" is applied to the

New York Curb Association. Of course there is a considerable amount of buying and selling of various securities by private sale over the counter. Almost any member of the Chicago Stock Exchange, or New York Stock Exchange house, having a Chicago connection, and many members of the Chicago Board of Trade, would be in a position to handle certificates for you in this way. We think * * * would attend to it for you.

New York Bank Statement.

(1) Please advise me where I can obtain the figures for loans and deposits of the trust companies lately admitted to the clearing house, back to 1908, as per the latest number of THE TICKER.

(2) What is the difference between "Specie" and "Legal Tenders" as used in the bank statement, and why are they kept separate?—L. W.

(1) In order to obtain the figures for loans and deposits of the trust companies recently admitted to the clearing house, separate from the other trust companies, it would be necessary for you to consult newspapers which publish the reports of each trust company separately every week. Some of these are the *Journal of Commerce*, the *Wall Street Journal*, the Sunday *Times*, all of New York. This would involve a good deal of work, and the results would hardly pay you, we should say.

(2) Specie, as the term is used in the bank statement, means Gold and Silver coin, Gold and Silver certificates, and Gold clearing house certificates. The term legal tenders comprises all other moneys which are legally good for the payment of debt, chiefly, of course, the U. S. notes. The two are kept separate because they are radically different kinds of money. The specie has intrinsic value, while the notes are merely promises to pay.

Stock Certificate Vanished.

Some time ago I was the owner of several shares of San Toy. After I sold them the subsequent owner died, and the certificates were not found among his effects by his executor. Recently I received a dividend check on this stock, my name being the last recorded on the books of the company. The company now wishes me to return the dividend, to be held by them for any owner of the certificate who may hereafter turn up and put in a claim. Has the company any more right to hold this money for the possible future claimant than I have?—N. F.

We should say that dividend checks should go to the executor of the dead owner of the stock, to be held until called for by the present owner, in case it proves that the deceased had sold the stock to another person. This seems probable in view of the fact that the stock was not found by the executor. If never called for by the present owner, the dividends would form part of the estate of the deceased. We see no reason why either you or the company should assume the duty of holding these dividends, as neither of you claim to be owners of the stock.

Discretionary Partnership Account.

July 23, 1910, I placed $1,000 with a local firm of stock brokers, receiving in return their note, payable on or before three years from date, with interest at 6 per cent., payable quarterly. In their own words, "The object in accepting this money is for the purpose of investing it in certain securities for the joint account of yourself and ourselves. If there be any profits accruing from said operations, the proceeds are to be divided one half to ourselves and one half to yourself."

After one year's operations, the result has been the receipt of $60 in interest and $36.90 in profits. Circumstances arising whereby I desired to avail myself of the clause in the note, reading "on or *before* three years from date," they refused their consent to the repayment of the principal before the maturity of the note.

Since their share of the profits is the same as mine ($36.90), and they have paid me in addition $60 interest, I figure they are out of pocket $23.10 for the year's transactions.

Query: Conducting business on this apparently losing basis, can you explain to me why they do not jump at the chance of terminating what is, on the face of things, a money-losing proposition for them?

I append herewith a copy of the first quarterly statement to give you an idea of the nature of the transactions, which are all deals in oil stocks on the local exchange.—E. N.

Of course we could not pass upon such a matter without being on the spot and making a thorough investigation. It strikes us, however, that the most likely explanation is that this money is not being kept separate from the other funds of the firm, and therefore really forms a part of the capital on which their business as a whole is being conducted. We notice from the record of transactions you send that the trades were either closed the same day or the next day in each case, so that the money needed to handle these particular trades was very small, for a firm having facilities, stock exchange memberships, etc.

However, it might merely be the case that the firm expects to do much better on this joint account later, when the market may become more active. We don't see that you can complain of results, if the firm is responsible.

Short Sales and Stop Orders.

Kindly explain the following: (1) If I sell 100 Steel common short and it declines 5 points—profit $500—who loses this money? (2) In making short sales in the stock sold at the market or at a fixed price? Example, sell 100 Steel at 75 or at the market. Are both methods correct? (3) In using a stop on short side; for instance, "Sell short 100 Steel common at 75; stop at 77;" will the broker cover at 77? In other words, is the stop executed the same on the short as on the long side?—J. K.

(1) If you make a profit on the short side of the market there is no way of knowing who loses the money. It is lost by one or more of

those persons who bought stocks at high prices and subsequently sold them at a loss. (2) A short sale may be made either at the market or at a fixed price, providing that price is reached, just the same as a purchase. (3) Your understanding of the use of stops on the short side is correct.

Mix-up on Western Maryland.

Before the reorganization of Western Maryland I held 100 half shares and paid the assessment as required. In looking over my papers I found a statement from my broker showing 100 shares Western Maryland, together with some other stocks I held at the time. So I called up and inquired if they were still half shares, as this statement was dated after the reorganization and was informed they were par value $100. Thereupon I put in an order to sell 100 shares and left town on an extended trip. When I returned I found they had called up my house for the other fifty shares. My brother, thinking to save me something, ordered them to buy back fifty shares, as the market was advancing rapidly. I am therefore out $200. Do you think I ought to bear this loss?—R. B.

If your broker made the mistake, he should make good your loss. From your description of the incident we should say that you were not in error.

Selling Short.

If I have a stock certificate and, thinking the market too high, wish to sell short against it, what does the broker require? Do I indorse the certificate to him and take a receipt for it?—C. F.

The usual requirements on stocks such as Steel, Union Pacific and Reading, and most others except the very low-priced stocks, are $10 per share, "kept good." That is, if your margin shrinks to seven or eight points, your broker will require you to deposit additional money to make it up to ten points once more. If you deposit cash as margin you would hold the certificate in your safe deposit box. If you wish to use the certificate as margin, you indorse it to the broker and take his receipt for it, but of course this gives you, on high-priced stocks, a larger margin than you really need. You will find full instructions in "Studies in Stock Speculation." See past issues.

Readers frequently ask to be referred to responsible brokerage houses. In making such a request, please state what amount you have for investment, or in what sized lots you wish to deal. Also state what large city is located most conveniently to you, or if you have any preference in this regard.

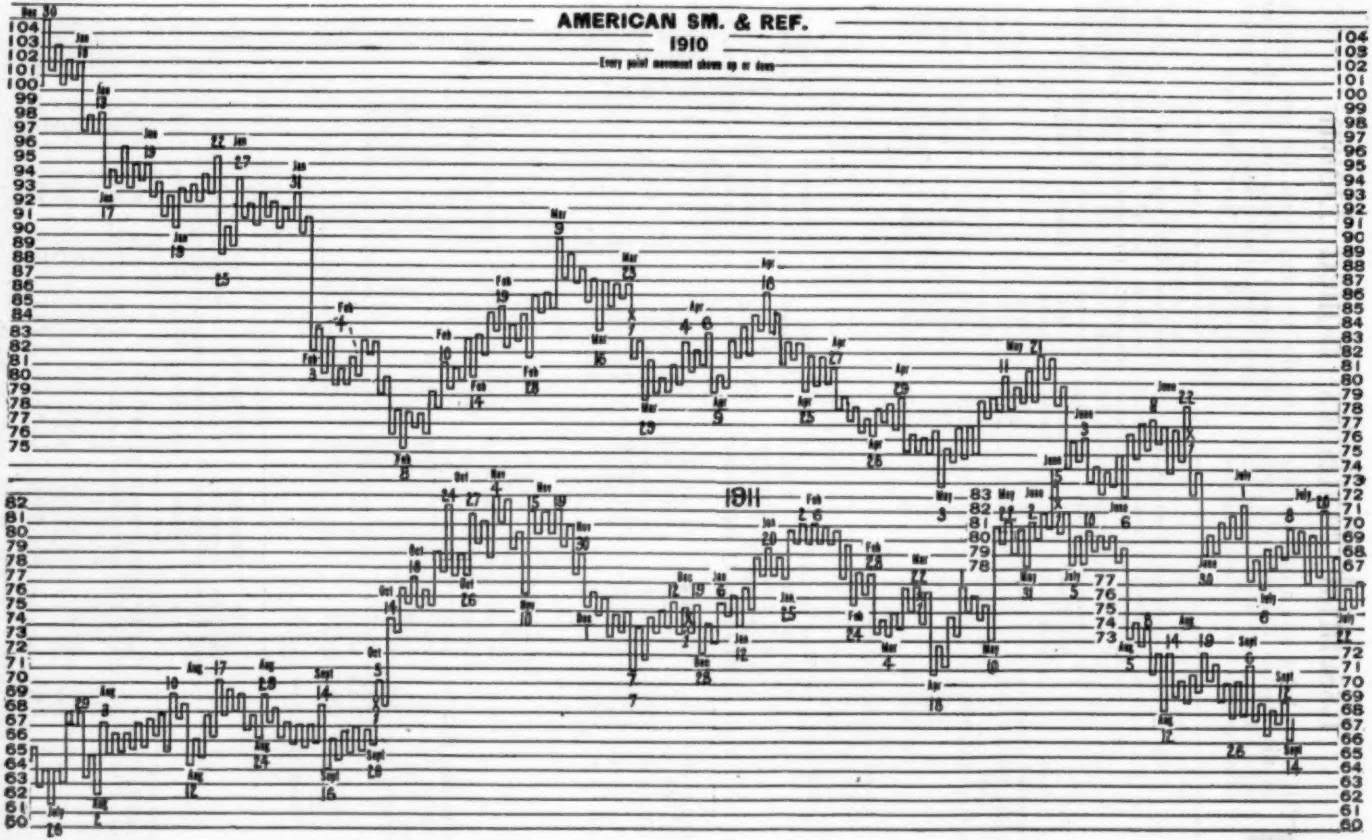
We refer our readers only to such houses as we would consider safe custodians of our own funds, but of course can take no further responsibility.

The Figure Chart

The following figure chart completes the chart on page 108 of the July, 1910, Ticker down to date given. It is based on the daily average closing price of 20 standard railway stocks and gives a general view of the course of the market since June, 1910.

June 22, 1910.			July 27.		Aug. 17			Oct. 18			Feb. 20, 1911			June 7.			Aug. 1.		Sept. 19.
														23	23	23			
														22	22	22	22		
														21			21		
														20			20		
19*											19			19			19		
18	18							18			18	18	18	18			18		
17	17							17	17		17	17	17	17			17		
16	16							16	16		16	16					16	16	
15	15				15			15	15		15						15	15	
	14				14	14		14	14	14	14							14	14
	13	13			13	13		13	13	13	13							13	13
	12	12	12		12	12	12	12	12										12
	11		11		11	11	11												11
			10	10	10														
			09	09	09														
			08	08															
			07	07															
			06																

*100 is subtracted from each figure in order to condense the chart. Thus 19 represents 119, etc.


AMERICAN SM. & REF.
1910
Every point movement shown up or down
1911

Essential Statistics Boiled Down

THE figures below give a complete view of the financial and industrial situation. Under each head we give figures for the *latest* month available, for the preceding month (in some cases the preceding *two* months), and for the month corresponding to *latest figures* in each column, for each of the four preceding years.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks	Per Cent. Cash to Deposits, New York Clearing-house Banks.	Per Cent. Loans to Deposits, New York Clearing-house Banks.	Per Cent. Cash to Deposits, All National Banks.	Per Cent. Loans to Deposits, All National Banks.	Money in Circulation Per Capita First of Month.
September, 1911.......	4⅜	3½	26.9	97.4	.....	.....	$34.25
August, 1911...........	4⅜	3⅜	26.5	97.1	.....	.....	34.08
July, 1911..............	3⅞	3⅜	26.3	97.4	17.3*	102.8*	34.35
Corres'g mo., 1910.....	5¼	3½	27.2	99.0	15.5	103.2	34.83
" " 1909.....	4⅝	3	25.9	97.5	18.1	103.3	34.73
" " 1908.....	4⅜	3	28.7	93.1	19.4	106.1	35.07
" " 1907.....	6¼	4½	25.7	104.2	16.0	107.9	32.32

*Comptroller's call for June 7, 1911.

	New Securities Listed N. Y. Stock Exchange (000 omitted)	Bank Clearings of U. S. (000 omitted)	Bank Clearings of U. S. Excluding N. Y. City. (000 omitted)	Balance of Gold Movements —Imports or Exports. (000 omitted)	Balance of Trade Imps. or Exports. (000 omitted)
August, 1911......	$390,374	$12,646,000	$5,261,858	Im. $3,143	Ex. $24,914
July, 1911.........	57,057	13,052,405	5,536,589	Im. 416	Ex. 9,529
Corres'g mo., 1910.	9,500	11,508,403	5,046,135	Im. 9,668	Im. 3,563
" " 1909.	173,703	13,490,980	4,804,543	Ex. 3,879	Im. 5,902
" " 1908.	50,674	10,248,695	4,023,582	Ex. 2,295	Ex. 19,216
" " 1907.	68,022	11,556,715	4,668,225	Ex. 1,373	Ex. 1,464

	Gibson's Index Cost of Living.	Bradst's Index of Commodity Pcs.	English Index of Commodity Pcs.	Wholesale Price of Pig Iron.	Produc'n of Iron (Tons.) (000 o'td.)	Price of Copper (Cents).	U. S. Production of Copper (Lbs.) (000 o'td.)	U. S. St'l Co. Unfill. Tonnage (000 o'td.)
September, 1911....	112.8	8.82	2531	$15.45	....	12.4	.....	....
August, 1911.......	111.5	8.66	2492	15.34	1,926	12.4	125,493	3,695*
July, 1911.........	110.0	8.59	2517	15.13	1,793	12.5	112,167	3,584
Corres'g mo., 1910	115.5	8.95	2407	16.17	2,106	12.4	127,803	3,537*
" " 1909	112.3	8.59	2255	18.75	2,246	12.8	120,597	4,796†
" " 1908	106.3	7.90	2168	16.87	1,348	13.3	.....	3,421†
" " 1907	112.3	8.82	2519	21.19	2,250	15.6	.....	6,425†

*August 31. †September 30.

	Net Surplus of Idle Cars.	Building Operations, Twenty Cities.	Business Failures Total Liabilities.	Crop Conditions: Winter Wheat.	Crop Conditions: Spring Wheat.	Crop Conditions: Corn.	Crop Conditions: Cotton.	Net Earnings 10 Leading Railroads.
September, 1911....	84,541	....	....	....	56.7	70.3	....	....
August, 1911.......	128,091	$61,563,847	$12,002,919	....	59.8	69.6	73.2	....
July, 1911..........	163,621	49,924,880	10,650,721	76.8	75.6	80.1	89.1	$16,195,248*
Corres'g mo., 1910.	50,724	42,547,451	12,110,249	81.5	63.1	78.2	72.1	16,572,106
" " 1909.	106,677	48,855,000	9,011,283	82.4	88.6	74.6	63.7	17,553,642
" " 1908.	221,214	33,080,000	24,656,769	80.6	77.6	79.4	76.7	17,687,001
" " 1907.	.....	38,732,000	12,286,870	78.3	77.1	80.2	72.7	17,695,224

*By error, gross earnings were given in this column last month.

The Market Outlook

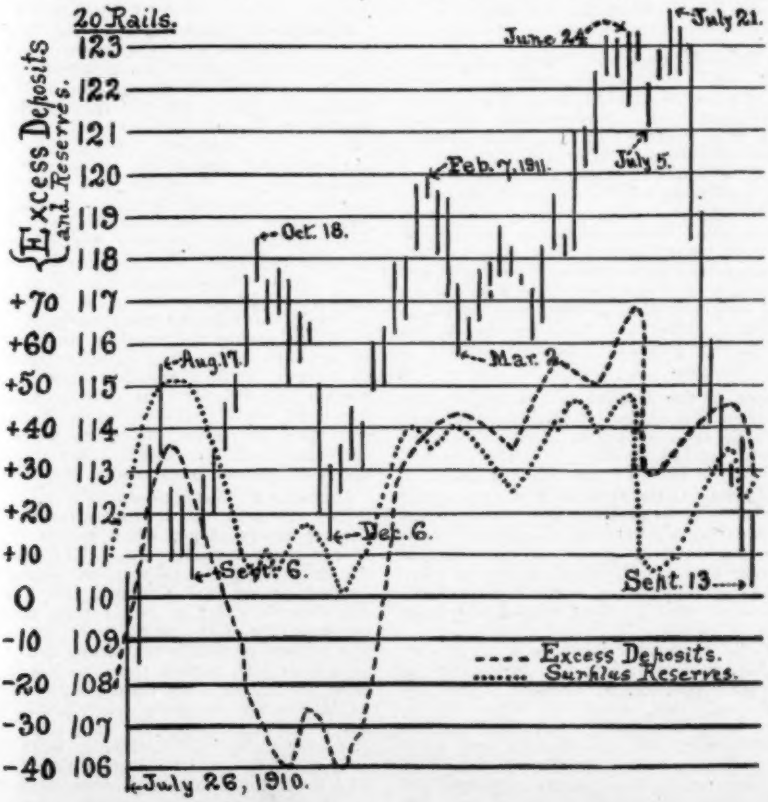
By G. C. SELDEN

WEEKLY high and low for the average closing price of 20 standard railways since the low point of July, 1910, are shown in chart form below. The last week shown is that ending Sept. 16, 1911.

The diagram also shows the course of excess deposits and surplus reserves of New York clearinghouse banks (excluding the trust companies). The zero line represents equality of loans and deposits. The plus figures, above the zero line, show excess of deposits over loans, in millions, and the minus figures give the deficit of deposits below loans. It will be seen that the movement of this line has corresponded with the general swing of prices to a really striking degree. The subect is further discussed in an article entitled "Where Are We?" in this issue.

A Change in Banking Conditions.—At the same time the fact must be recognized that a considerable change is taking place in banking conditions at New York. The control of important banks and trust companies has been so centralized within the last few years that it is now easier than ever to shift loans outside the clearing house banks when desired, and on the other hand, great accumulations of cash by so-called "large interests," because of dissatisfaction with the political situation, may abnormally swell both deposits and reserves.

This subject was touched upon in an article entitled "The New Bank Statement" in the August number of THE TICKER, and it was recommended that the investor keep track of the ratio of loans to deposits for "All Banking Institutions" of Greater New York, as shown weekly in the *Commercial*



& Financial Chronicle, The Journal of Commerce and elsewhere. These figures have been compiled since early in 1908. The low point in the per cent. of loans to deposits for "all institutions" was in August, 1908, 99.3 per cent.; and in December, 1910, when the clearinghouse banks were showing the greatest deficit of deposits under loans, the ratio for "all institutions" was 104. Since then, although deposits of clearinghouse banks have recovered to a large excess over loans, this has not been true of "all institutions," but loans are now 105.5 per cent. of deposits—considerably higher than at any time in 1910.

Of course the clearinghouse banks themselves comprise about three-fifths of the banking power of New York, so it is clear that the loans of the remaining two-fifths must be pretty well extended. The item "loans" includes investments also, and a large part of the increase undoubtedly consists of stocks and bonds, some of which were bought to sell again to small investors but have not yet been sold.

Hence we must admit that, while the banking situation cannot be said to be strained in any way, yet it is not as strong as would appear from the consideration of the clearinghouse banks alone.

The Price Movement.—The recent decline has certainly shown the importance of a study of price movements in addition to the consideration of fundamental factors. When the average of 20 rails started violently downward, after two months of dullness around 122 and 123, this was a better indication of the future of the market than any statistical analysis which was then possible. The same thing is shown on the figure chart on another page. Perhaps, also, the sharp drop in excess deposits and surplus reserves about July 5, as shown on the diagram, should have been taken as a warning, although at the time this movement of cash seemed to be due entirely to special reasons.

Causes of the Decline.—It is safe to say that when the decline started scarcely any one—with the exception, perhaps, of important foreign banking houses—understood all the causes. The unwillingness of large capitalists to invest in new enterprises under the present political uncertainties was well understood, but was no greater bear factor now than at any other time for the past year and a half. Extensive crop damage was recognized as a check to activity of business, and a sound reason for some decline in prices.

But the German crisis, the acuteness of the Moroccan situation, the over-extended speculative position of London, Paris and Berlin, and the extent of crop damage abroad were but little understood on this side. The result of these factors, with widespread foreign strikes and riots, has been very large sales of securities in New York by foreign holders, at a time when the market might have rallied if left solely under the influence of domestic conditions. In fact, there is no way of telling how much of the selling that started the decline may have come from abroad.

Gold Movement.—This large liquidation of our stocks by foreign holders affects the gold situation in an important way. We had previously accumulated a credit on the other side of at least $50,000,000, probably $75,000,000, which seemed likely to make gold imports easy whenever our money market began to harden. This debt has now been paid in the form of American stocks sold by foreigners at New York. It is therefore a question whether we can draw gold or not, and there is a possibility of higher money rates later.

Export Prices of Steel.—A feature which has been little commented upon by the press is the much lower price of steel sold for export than for that consumed at home, as brought out by the Stanley Investigating Committee. This difference is shown to have averaged from nearly $8 a ton in 1906 down to $5.40 in 1910. Such figures are bound to increase the restiveness of American consumers under the high cost of living and thus to increase tariff agitation.

Investment Demand.—In view of the liberal yield on the investment shown by many excellent securities at present prices, a considerable investment demand would naturally be expected. In fact, while some stocks are being taken out of the market in this way, the demand is not large. Banking interests appear to be taking stocks moderately, on sharp declines only, and it is generally assumed that stocks so bought will be for sale again on rallies. I cannot help feeling, however, that absorption of stocks by those who buy for interest return only, without regard to speculation, will prove a more important factor than generally anticipated at present and will result in giving the market some support on declines, preventing panicky conditions, so long as money remains easy. A bear market and 4½ per cent. commercial paper don't go well together when high-grade securities are selling at prices to return 6 per cent. Such a condition is not impossible, but is so unusual as to arouse skepticism.

Immediate Market.—As this is written prices are near the bottom after a decline that is really large, when compared with recent market movements. The idea that the market cannot rally much seems to be getting pretty well diffused, and I believe the short interest is larger than shows in the behavior of the market. In my opinion the bottom of this break is no place to sell stocks, as the natural thing to expect is a rally of at least one-third the decline. It looks, however, as though such a rally would not prove permanent. We appear to be now in a bear swing, with nothing in sight to give us a real bull market for some time to come. The great thing lacking is business initiative on the part of those who control capital.

September 23, 1911.